



# Corporate Governance Activities Report 2023

At Nordea we are convinced that ensuring sound corporate governance and sustainability practiced in our funds holdings is important to safeguarding the long-term interests of both shareholders and society. We see active corporate governance as a significant aspect of Nordea's duties on behalf of unitholders<sup>1</sup> and it must always be conducted in their best interest. This is why being an active owner – by engaging with companies and exercising our voting rights – is essential to delivering returns with responsibility.

**The Corporate Governance team** works in close collaboration with the Responsible Investments (RI) team and our Portfolio Managers (PM) to align stewardship work on important agenda items and Environmental & Social shareholder resolutions. Our ambition is to vote at a minimum of 90% of all shareholder meetings in investee companies.

For us, transparency is key and a basic pillar of our ownership approach. We therefore invite you to read our Corporate Governance Principles which, together with our voting record, are publicly available in our [voting portal](#).

**CONTACT:**

Katarina Hammar  
Head of Corporate Governance  
[katarina.hammar@nordea.com](mailto:katarina.hammar@nordea.com)

1) On behalf of the unitholders of Nordea Funds Ltd and Nordea Investment Funds S.A.



## 1. Our approach

The Corporate Governance team's engagements and voting are based on Nordea's<sup>2</sup> Corporate Governance Principles. These summarise our expectations on companies' governance issues, such as board composition, remuneration, capital management and sustainability.

We believe that sound corporate governance contributes to shareholder value and reduces risks in equity investments. It is also essential for a balanced and transparent relationship between companies and shareholders, in which the latter play a vital role in improving a company's performance. From a shareholder perspective, voting is an effective tool for influencing companies and supporting and escalating our engagements.

### Nordea aims to:

- Actively engage with companies and stakeholders predictably and consistently, thus contributing to returns with responsibility for our unitholders.
- Act as industry leader and contribute to well-functioning capital markets.
- Be transparent with engagements and voting records.

The Corporate Governance team analyses the shareholder meetings agenda items and resolutions of investee companies, and arranges ongoing dialogue with investee companies before and after these meetings.

Actual voting decisions are also influenced by our engagements with companies and the views of internal investment experts, such as the RI team and PM. In addition, in 2023 an external specialist – Institutional Investment Services (ISS) – provided two different customised voting recommendations based on the Corporate Governance Principles. The platform used by the team for monitoring their

voting position and sending voting instructions is called ProxyExchange and is also provided by ISS.

Besides sound governance, we place particular emphasis on our other focus areas – climate, human rights and biodiversity. We are seeing increasing shareholder proposals relating to environmental issues and climate reporting.

Our Corporate Governance Principles and RI policy are reviewed annually. This review aims to evaluate whether our policies still meet best industry practice and our unitholders' expectations, and accurately reflect our internal processes. The review also includes monitoring any updates to signed stewardship codes or RI-related memberships that may imply certain commitments.

## 2. Exercising voting rights in numbers

In 2023 we voted at more than 3,700 shareholder meetings on thousands of agenda items, including issues such as climate or diversity, as well as remuneration programmes and capital mandates. Compared to 2022, there was a slight decline in the total amount because the number of holdings in our portfolios decreased by approximately 200 companies in 2023. All in all, the outcome in 2023 was well above our target to vote in more than 90% of our investee companies' shareholder meetings.

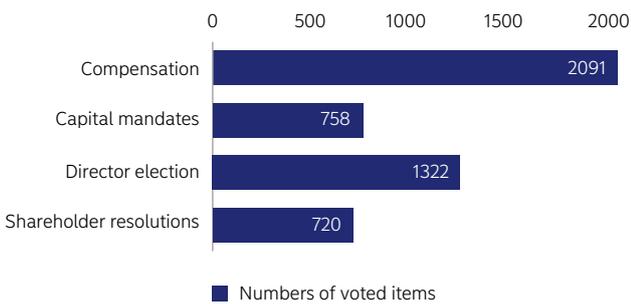
On most occasions, we voted in favour of management proposals, which is the initial premise when deciding how to vote. However, on 12% of agenda items, our votes were against management's recommendation. While our reasons for this may vary from case to case, we basically do so if the proposal is deemed not to be in the best interest of our unitholders or contravenes the sound governance set out in our Corporate Governance Principles.

2) Nordea Funds and Nordea Investment Funds S.A.

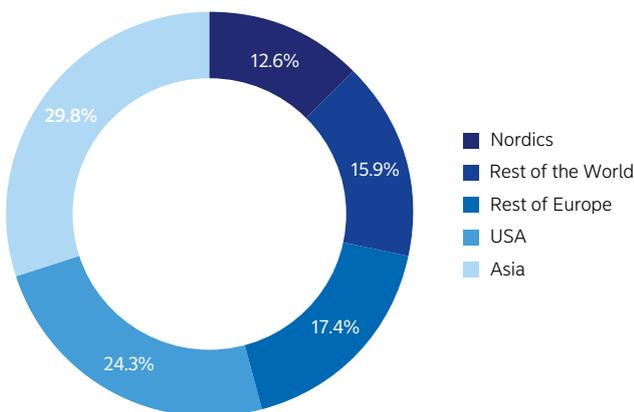


Broken down into numbers, the areas in which we voted against management were as follows:

### Topics where we voted against management



### Meetings at which we voted by market



**We voted on**  
148 climate management and shareholder proposals –78% for.

### 3. Corporate governance engagement activities

Nordea’s corporate governance activities can be broken down into three categories – engagement through dialogue with companies concerning key ownership issues, participation in nomination committees and participation and voting at shareholders meetings.

We invite companies to discuss issues in which Nordea’s views differ from the board’s proposals before the shareholders meeting. This gives the company the opportunity to amend its proposal.

In 2023, a number of companies provided compelling rationale for their meeting proposals, which proved to be more actively in line with Nordea’s voting instructions than before, while others chose to change their proposals totally. Together with other institutional investors, we also convinced companies to withdraw agenda items that were impossible for us to support and instead put forward a revised version.

Below are examples of activities conducted in 2023.

#### Board composition

One of the most important tasks of a company’s board is to provide strategic direction and monitor and evaluate top management, and in our view this aspect can be compromised if the CEO of the company also serves as chair of the board. Over the last couple of years, we have supported many shareholder proposals to split the roles CEO/chair, including in companies like Cisco,



Meta and Amazon. We regularly engage with companies to explain this voting rationale, and we try to be as proactive as possible to get the companies, to alter the board proposals to be in line with our expectations.

**In 2023, Nordea voted against the combination CEO/chair at 263 shareholder meetings.**

Nordea believes that a board should be diversified in terms of gender, experience, age and other factors. A board should preferably consist of at least 40% of either gender. The board should also have a majority of independent directors and they should have sufficient time to dedicate to board work.

In 2021 we reached out to 75 companies with no females on their boards to inform that we would vote against the chair of the board of directors, or the chair of the nomination committee, if we could not see any progress in the share of women on the company board. In 2023, 52% of the companies approached had elected at least one woman onto the board, for example Toray Industries and Sumitomo Realty & Development. In the remaining companies that could not present a plan of intended changes, Nordea voted against the relevant board member, as described above.

**Remuneration**

Nordea takes a positive stance towards reasonable share-based incentive programmes for employees in investee companies. Incentive programmes should incentivise long-term ownership of shares and be designed to include requirements of own investment, and financial as well as ESG performance criteria. We have long promoted simple pay packages with a few targets and our aim is to identify the structures that are misaligned with long-term value for shareholders.

In 2023, and mainly at US companies, we voted against proposed executive remuneration in which

performance criteria in share-based incentive programmes were inadequate or non-existent, combined with excessively generous outcomes.

We also actively urge companies to link material ESG targets to executive remuneration. This topic is on the agenda at most of our engagement meetings as we expect companies to develop targets tied to the long-term business strategy. It is important that the proposed criteria are material, relevant, transparent and that the targets are challenging. In high-impact sectors in particular, we attach particular importance to climate-related targets in order to narrow the gap between climate commitments and implementation of activities.

A Swedish company presented an incentive programme for its management to us prior to sending out the notice of the shareholders’ meeting. We considered the amount of shares being awarded to key management as far too generous and thus not in the best interest of shareholders. We informed that we would vote against the programme. The programme was withdrawn from the shareholders’ meeting prior to sending out the notice, and a new programme was presented at an extra shareholder meeting.

In 2023 we also voted against a proposed discretionary bonus in a European company as we believe that incentive programmes should be designed with performance criteria. We could have supported the idea if the intended bonus had been specified beforehand with clear targets and measurements, but the fact that the company wished to hand out such a large cash sum retroactively is not in line with good corporate governance.

**In 2023 we voted against 2,091 board proposals related to executive compensation.**

## Shareholder rights

### Nomination committees

We believe that participation in owner-led nomination committees is a good forum for influencing board composition and driving real change, in terms of gender diversity on the board, for example. In the companies in which Nordea was represented in nomination committees in 2023, the average percentage of women on the board was 36%, which is close to Nordea's ambition of at least 40% representation of each gender.

In 2023 we reached out to five companies in Finland and six in Norway to exert influence to urge these companies and their largest owners to introduce owner-led committees. This resulted in good discussions and the election of a Nordea representative onto one nomination committee so far. We have also provided proposals for new board members in both the Finnish and Norwegian companies' boards of directors.

For shareholders' meetings in 2023, Nordea served on 39 nomination committees. The following table shows representation on nomination committees:

<p><b>Sweden:</b> Academedia, Arise, Bactiguard, Beijer, Bulten, CAG, Careium, Clas Ohlson, Concentric, Coor, DevPort, Doro, Elekta, Eurocon, Fagerhult, Ferroamp, Kabe, Linas Matkasse, Linc, Medivir, Midsona, Midsummer, Millicom, Ogunsen, Rejlers, Sectra, Svedbergs, Tele2, Telia, VBG, Viaplay</p>
<p><b>Finland:</b> Appetit, Honkarakenne, Suominen, Uponor</p>
<p><b>Norway:</b> Kongsberg Automotive, Lifecare, NRC</p>
<p><b>Denmark:</b> Solar</p>

- Nomination committee case:** The company board comprises six members, all of whom had relevant experience and expertise. This includes three members with CEO, capital market and listed company experience and three members with sector expertise.
- Nordea action:** We started by interviewing all board members and the CEO to evaluate the board composition to identify development needs and competence gaps. The company is expanding beyond its local market and experience from the sector, combined with growth in other Nordic markets, would enhance board composition.
- Engagement objective:** To identify and nominate a new board member with Nordic experience from the sector. Thanks to our broad network, we suggested a candidate who was interviewed by the chair and the rest of the nomination committee.
- Engagement outcome:** The proposed candidate opted for another board position this time but another suitable candidate was nominated.

- Nomination committee case:** The nomination committee identified a need for an additional female member with experience from growth, mergers and acquisition. The nomination committee turned to an external consultancy to identify a suitable candidate to join the board.
- Nordea action:** The nomination committee received from a consultancy a list of 15 female candidates with a suitable background. Based on their resumés, two of them were identified as a more or less perfect match for the board. Both candidates were interviewed by the nomination committee that ended up recommending a suitable candidate to the shareholders' meeting.
- Engagement objective:** To identify and nominate a new board member with the requisite experience, who would be a future driving force and could fit in with a smaller board.
- Engagement outcome:** The proposed candidate was elected at the shareholders' meeting and is now a member of the board.

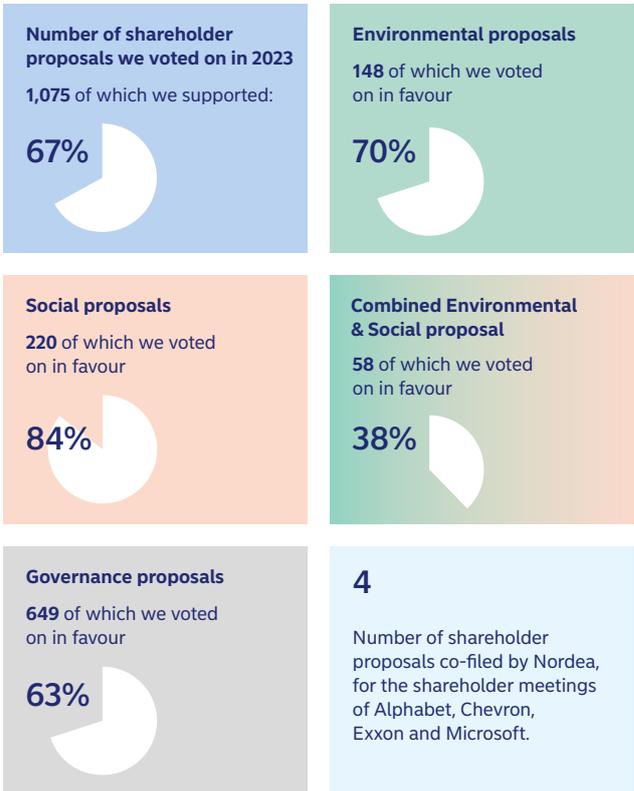


We generally vote against any board proposal to limit minority rights, such as a higher threshold for calling extraordinary general meetings, or which limits the ability of shareholders to vote or express their views. We are happy to see an increasing number of shareholder proposals regarding lowering such thresholds, and we generally support them. For example, we supported a number of resolutions allowing to call for an extra shareholder meeting if they gather shareholders representing at least 10% of the votes in the company.

### Shareholder proposals and sustainable value creation

Nordea has an ongoing dialogue with investee companies about sustainability indicators and management of risks and opportunities to secure sustainable business models. Sustainability topics that are material for the company’s long-term value creation should be reflected in incentive programmes. We expect companies to publish material sustainability information together with financial information.

We analyse all shareholder proposals and do not automatically vote in favour of a shareholder resolution even if we can share the initial concern or the proposing shareholder’s ambition. The reason we do not support all shareholder resolutions is that their quality varies tremendously, they address issues that the companies are already satisfactorily dealing with, and they are more detrimental in nature than they add new dimensions or value to the company.



## Examples of significant votes 2023

COMPANY NAME	SUMMARY OF RESOLUTION	NORDEA VOTE	RATIONALE	OUTCOME OF VOTE %
<b>Public Storage</b>	Shareholder resolution: Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	<b>FOR</b>	Increased transparency positive for assessing progress towards aligning with Paris agreement.	<b>34.7% FOR</b>
<b>International Paper Company</b>	Shareholder resolution: Require independent chair	<b>FOR</b>	Our opinion is that it is in the best interest of shareholders to separate the CEO and COB functions.	<b>37.1% FOR</b>
<b>Microsoft</b>	Co-filed shareholder resolution: Tax transparency report in line with Global Reporting Initiative's (GRI) Tax Standard	<b>FOR</b>	The proposed GRI Tax Standard would enhance the company's transparency in communicating its tax practices to investors globally.	<b>21.2% FOR</b>
<b>Starbucks Corp.</b>	Shareholder resolution: Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights	<b>FOR</b>	This would better evaluate various allegations related to freedom of association and collective bargaining and the company's management of any associated risks.	<b>52% FOR</b>
<b>Exxon</b>	Co-filed shareholder resolution: Tax transparency report in line with Global Reporting Initiative's (GRI) Tax Standard	<b>FOR</b>	The proposed GRI Tax Standard would enhance the company's transparency in communicating its tax practices to investors globally.	<b>14% FOR</b>
<b>Meta</b>	Management proposal: Elect Director Mark Zuckerberg	<b>AGAINST</b>	We believe it is in the best interest of shareholders to separate the CEO and COB functions due to the board's supervisory role.	<b>8.1% AGAINST</b>
<b>National Grid</b>	Management proposal: Authorise the company to call general meeting with two weeks' notice	<b>AGAINST</b>	Shortening the notice period is considered negative for shareholders, especially international ones.	<b>7.3% AGAINST</b>
<b>Glodon Co Ltd</b>	Management proposal: Elect Chai Mingang as Director	<b>AGAINST</b>	There are 0% females on the board so we voted against a member of the Nomination Committee to express our concern.	<b>18.7% AGAINST</b>
<b>Evolution</b>	Management proposal: Approve Remuneration of Directors in the Amount of EUR 400,000 to Chairman and EUR 100,000 for Other Directors	<b>AGAINST</b>	The remuneration is excessive and not in line with peers.	<b>The proposal passed*</b>
<b>Solvay</b>	Management proposal: Approve Exceptional Bonus for the CEO	<b>AGAINST</b>	The proposed one-off award is in cash, and not necessarily aligned with longer-term interests of shareholders. The proposed bonus is substantially above market practices.	<b>34.4% AGAINST</b>

\* Swedish companies do generally not disclose or count exact votes.

We will continue to engage in these topics and exercise our votes to bring about change.

## Risk oversight

We believe that the board should proactively oversee the assessment and disclosure of the company's key risks, including sustainability and climate risks as these could have a material adverse impact on the value of the company. Initiatives from the board such as "Say on Climate" can provide us with an opportunity to signal our approval or voice our concern over a climate action plan in high-impact sectors.

### **We voted for 19 "Say on Climate" board proposals and against the proposals in Total, Shell and Canadian Pacific.**

In 2023, much of our work revolved around alignment with the Paris Agreement and climate proposals that require companies to disclose information about their governance, strategy, risk management and targets in terms of climate-related risks. As such, our activities in this regard were wide-ranging, from shareholder proposals in favour of aligning targets for indirect scope 3 emissions with the Paris Agreement, as we did with Total Energies and Shell, to requesting better reporting on GHG emissions targets with Public Storage and reporting on Corporate Climate Lobbying practices, as we did with Toyota Motor Corp.

### **We voted on a total of 126 climate-related shareholder proposals. We supported 77% of them.**

We have been taking action towards responsible tax practices for several years, including in 2023. We filed shareholder resolutions for the shareholders' meetings of Microsoft, Chevron and Exxon, asking the board to issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard.

We co-filed a shareholder resolution for Alphabet, requesting that the company hire an external, independent law firm to evaluate and issue a public report regarding how the board's Audit and Compliance Committee assesses risk to public well-being.

## Capital management

According to our Corporate Governance Principles, authorisation to issue shares comprising more than 10% of the company's capital, without preferential rights

for existing shareholders, should be avoided unless otherwise specifically justified so as not to dilute our unitholders' shares. Instances in which Nordea voted against the board proposal were when companies proposed either too large a dilution or too long a mandate for such issuance without compelling grounds.

A growing number of companies are proposing multi-year authorisation for boards to issue new shares or repurchase shares. Internationally, multi-year authorisations for boards in various sectors are common in certain countries. Nordea's view is that authorisations for boards from annual general meetings shall only be valid until the next annual general meeting – that is, for one year. We aim to actively ask companies to maintain only one-year mandates.

A company asked the shareholders at the annual general meeting to accept a mandate for the board to issue a 20% new shares without preferential rights to the existing shareholders. Given that the mandate was excessive, without preferential right and deemed not to be in the best interest of the shareholders, Nordea voted against this proposal.

## Membership and collaboration

Cooperation with other owners is important when influencing a company. This can be achieved through working groups or ownership committees, as well as owner-led nomination committees in markets where such are the norm. Nordea strives to enhance due corporate governance practices by working with others, and we are members of the International Corporate Governance Network, the Swedish and Norwegian Institutional Owners' Associations and work with the PRI Stewardship Committee.

As part of the Swedish Institutional Owners' Association, IÄF, in 2022 Nordea co-signed an opinion editorial addressed to Swedish companies, asking them, to a greater extent than currently, to take non-financial metrics into account when preparing and designing new incentive programmes for management. In 2023 we continued to push companies towards implementing ESG in remuneration programmes as we believe that companies that incorporate sustainability KPIs into their incentive programmes also better achieve their ESG ambitions.