ESG Report

Nordea 1 – Emerging Stars Equity Fund

Fourth quarter 2022

SFDR classification*

ARTICLE 8

Nordea
ASSET MANAGEMENT

*The fund has been classified as an article 8 fund under SFDR.
The fund has environmental and/or social characteristics but does not have sustainable investment as its objective.

Overview

Sustainability footprint

The sustainability footprint of EUR 100,000 invested in

Nordea 1 – Emerging Stars Equity Fund

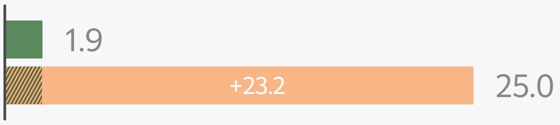
LU0602539602 (BP-USD) / LU0602539354 (BI-USD)

For illustrative purposes only

Nordea 1 – Emerging Stars Equity Fund | Illustrative Benchmark: NASDAQ Emerging Large Mid Cap Index

CO_2 emissions[1] **1.9 t**

Most of your savings are invested in companies that on average emit less CO_2 compared to their peers.



23.2 tonnes less than illustrative benchmark

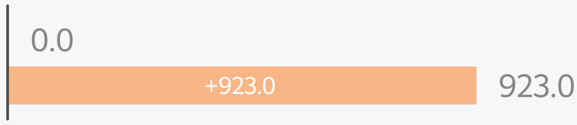
1) Measured as CO_2-equivalent greenhouse gas emissions

15.5

The equivalent of annual CO_2 emission from 15.5 cars

Underground oil, gas and coal reserves **0.0 t**

None of the companies in your portfolio own fossil fuel reserves, neither oil, coal nor gas.



923.0 tonnes less than illustrative benchmark

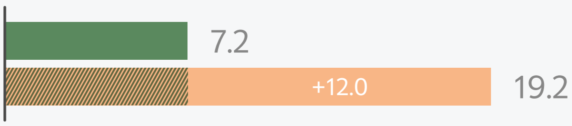
1,319x

CPH / BKK

Equal to 1,319 Copenhagen-Bangkok flights

Waste generation **7.2 t**

Most of your savings are invested in companies that on average produce less waste than their peers.



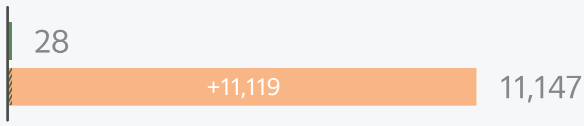
12.0 tonnes less than illustrative benchmark

1,202

Equal to approx. 1,202 waste bags avoided

Water usage **28 m^3**

Most of your savings are invested in companies that on average consume less water than their peers.



11,119 m^3 less than illustrative benchmark

77.2

The equivalent of the water used by 77.2 households

This sustainability footprint overview is prepared by NASDAQ based on analysis of **Nordea 1 – Emerging Stars Equity Fund's holdings as of 31.12.2022**. The analysis is based the equity investments in the fund and the holdings are compared to the **NASDAQ Emerging Large Mid Cap Index**, a broad market index **used as benchmark for illustrative purposes only and which does not correspond to the official benchmark of the fund**. The calculations are based on an example investment of 100,000 EUR, of which ca. 98% is invested in equities. For illustration purposes only. This overview does not constitute investment advice. Please note that the value of investments can go up as well as down and you might not get back the amount originally invested. Data & metrics are powered by Matter.

Overview of ESG characteristics

Corporate level ESG overlays of Nordea Asset Management

NAM's Responsible Investment Framework comprises a wide range of RI approaches. Some are decided and deployed at the corporate level – "overlays" – while others are product-specific and apply to solutions with a stronger ESG focus. The corporate "overlays" apply to all funds managed by NAM.

- Active ownership
- Corporate-level exclusion list
- Norms-based screening
- ESG integration
- Corporate level PAI

All of our funds are subject to minimum sustainability-related eligibility criteria. For example, we do not invest in companies involved in the production of controversial, illegal or nuclear weapons. Nor do we invest in companies with large and sustained exposure to coal mining, with a 5% revenue threshold on thermal coal, and a 30% revenue threshold on total coal (including metallurgical coal). Similarly, we exclude companies with large and sustained exposure to oil and gas extraction through oil sand with 5%, and arctic drilling with 5% revenue threshold.

Fund specific ESG characteristics

Industry exclusions

While engagement is always NAM's preferred approach, we have made a decision to exclude certain industries from our ESG STARS range.

Adult entertainment*	Alcohol*
Gambling*	Tobacco*
Coal mining[2]*	Conventional[3] oil & gas/ unconventional[4] oil & gas
Controversial weapons[5]	Military equipment*
Nuclear weapons[6]	

* 5% revenue threshold on production

ESG labels[7]

transparent

LUXFLAG Label ESG

SFDR classification: Article 8

The fund is categorised as an Article 8 product based on Sustainable Finance Disclosure Regulation (SFDR) and adheres to the below characteristics:

- Active Ownership and Engagement
- Enhanced exclusion filters and other limits
- ESG STARS strategy
- Exclusion list
- Norms-based Screening
- Paris Aligned Fossil Fuel Policy (PAFF)
- Principal Adverse Impact (PAI) integration

Find out more about RI at Nordea Asset Management:

» RI Policy

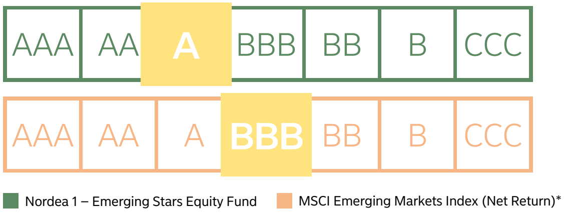
» Paris Aligned Fossil Fuel Policy (PAFF)

» Nordea's Exclusion list

2) By coal is meant the extraction of both metallurgical and thermal coal. 3) 5% revenue threshold or alignment with the Paris Agreement as per the PAFF. Refers to oil & gas exploration and production companies, as well as integrated oil & gas companies (BICS classification 135 and 136). 4) 0% revenue threshold on oil sands, shale oil/gas, hydraulic fracturing, and Arctic drilling. 5) 0% revenue threshold. Controversial weapons include anti-personnel mines, cluster munitions, depleted uranium, biological/chemical weapons, incendiary devices. 6) 0% revenue threshold. Production and development of nuclear weapons. 7) LuxFLAG ESG Label recognises the Nordea 1 – Emerging Stars Equity Fund, validity 01.10.2022 – 30.09.2023. Towards Sustainability recognises the Nordea 1 – Emerging Stars Equity Fund, validity 07.2022 – 07.2024. Label ISR recognises the Nordea 1 – Emerging Stars Equity Fund, validity 02.2023 – 02.2026. For more information on sustainability-related aspects of the fund, please visit nordea.lu/SustainabilityRelatedDisclosures.

ESG overview

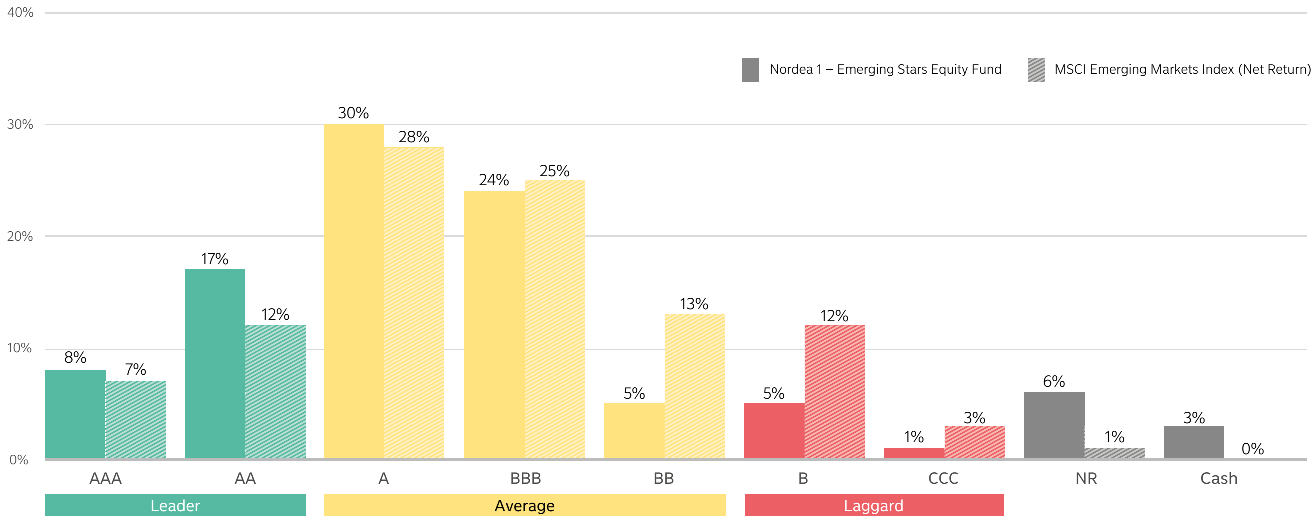
ESG rating[8]



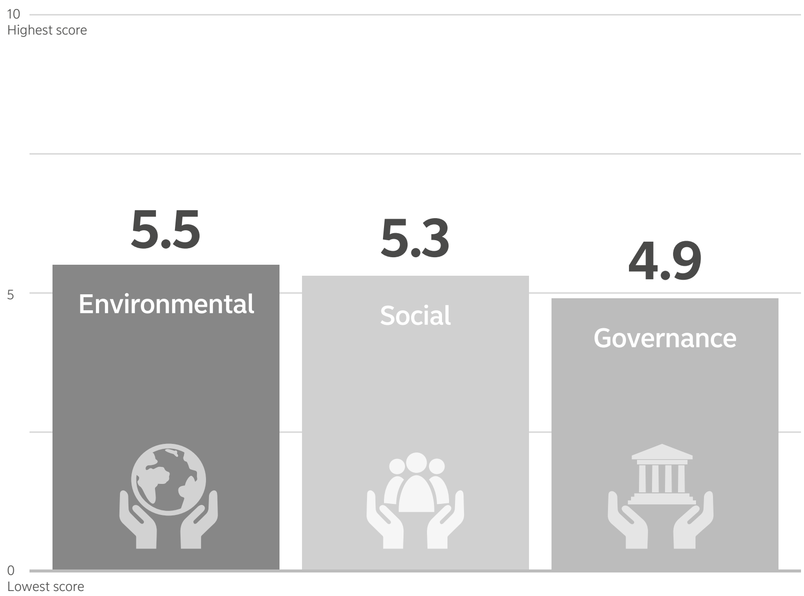
The ESG Rating assesses the resilience of a fund's aggregate holdings to long-term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks.

Please note that the MSCI ESG rating is mainly backward looking, relying mainly on publicly available information and can differ from Nordea's internal ESG scoring which is based on a forward-looking approach.

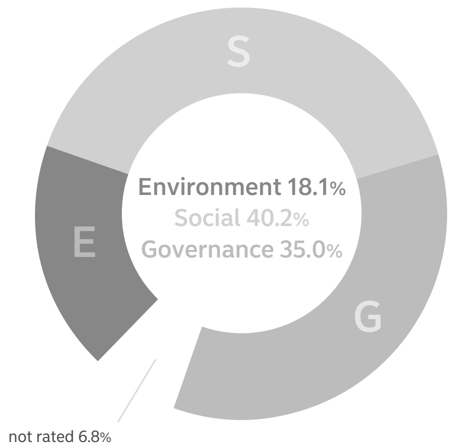
ESG Rating breakdown[8]



ESG scores by pillar[8]



ESG risk exposure[8]



8) ©2022 MSCI ESG Research LLC. Reproduced by permission.

*The fund uses a benchmark which is not aligned with the environmental and social characteristics of the fund.

ESG indicators

Environmental indicators

Nordea 1 – Emerging Stars Equity Fund | Benchmark[9]

Nordea 1 – Emerging Stars Equity Fund	Benchmark[9]	Indicator
58 t	326 t	**Weighted Average Carbon Intensity (tCO_2e/USD million)** The WACI measures a portfolio's exposure to carbon intensive companies.
0.0%	6.3%	**Exposure to high impact fossil fuel reserves** The percentage of portfolio's market value exposed to companies that own high impact fossil fuel reserves.
0.0%	2.4%	**Exposure to environmental controversies** The percentage of portfolio's market value exposed to companies facing one or more very severe environmental controversies.

Social indicators

Nordea 1 – Emerging Stars Equity Fund	Benchmark[9]	Indicator
0.0%	2.0%	**Exposure to human rights norms violation** The percentage of portfolio's market value exposed to companies in violation of international norms around human rights.
4.1%	7.8%	**Exposure to human rights controversies** The percentage of portfolio's market value exposed to companies facing one or more very severe human rights and community controversies.
4.1%	7.8%	**Exposure to labour controversies** The percentage of portfolio's market value exposed to companies facing one or more very severe labour controversies.

Governance indicators

Nordea 1 – Emerging Stars Equity Fund	Benchmark[9]	Indicator
5.8%	15.2%	**Exposure to companies with no female directors** The percentage of portfolio's market value exposed to companies with no female directors.
71.7%	67.7%	**Exposure to companies with a majority of independent board members** The percentage of portfolio's market value exposed to companies with board independence above 50%.
14.8%	7.2%	**Exposure to governance controversies** The percentage of portfolio's market value exposed to companies facing one or more severe or very severe governance controversies.

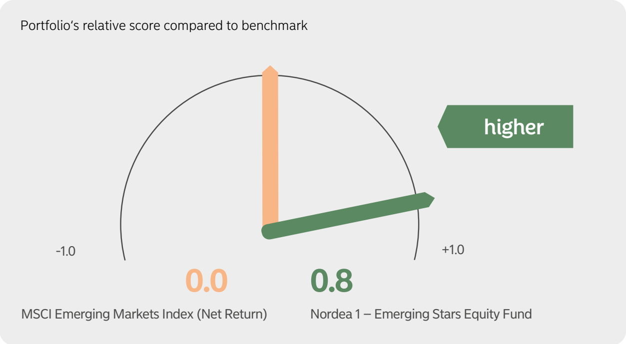
9) As measured by the iShares MSCI Emerging Markets ETF. Source: MSCI ESG Research LLC. as of 31.12.2022. ©2022 MSCI ESG Research LLC. Reproduced by permission. Portfolio coverage 99.11%.

Weighted Average Carbon Intensity based on MSCI Emerging Markets Net Return Index as of 31.12.2022. Scope 1&2. For further information on scope 1&2 please refer to the "Methodology – Sustainability footprint" section in the appendices of this report. This metric relies on carbon data gathered by Nordea Investment Funds S.A., MSCI Inc. and is based on the Swedish Fund Association's recommendation. Further information on the calculation approach is available at: nordea.lu/documents/esg---carbon-footprint-disclosure/ESG-CFD_eng_INT.pdf/. Source: Nordea Investment Funds S.A., MSCI Inc. The fund commits to perform better than its benchmark on two indicators, the Weighted Average Carbon Intensity (Portfolio coverage: 97%; Benchmark coverage: 97.5%) and the Exposure to Human Rights Norms Violation (Portfolio coverage: 87%; Benchmark coverage: 100%).

Contribution to SDGs

Total sustainability score (vs benchmark)

The chart below shows the contribution of the portfolio holdings products and services to both environment and social considerations compared to companies held in the benchmark. The contribution of the portfolio to the 15 objectives (social and environmental) is higher than the benchmark.



The relative score is calculated as follow: (Portfolio net score) / (Benchmark net score). Should the score of the benchmark be close to zero the relative score multiple might be distorted. **Comparison with other financial products or benchmarks is only meant for indicative purposes.**

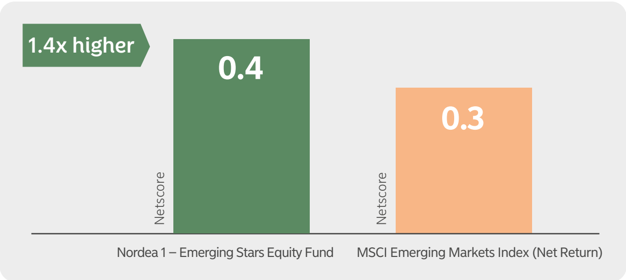
Top contributors

1. **Taiwan Semiconductor Manufacturing** (TW, Information Technology)
2. **Samsung SDI** (KR, Information Technology)
3. **Hapvida Participacoes e Investimentos S/A** (BR, Health Care)

Notes	
Benchmark	MSCI Emerging Markets Index (Net Return)
Portfolio coverage	85%
Benchmark coverage	93%
Portfolio holdings	48

Exposure to the 7 social objectives[10]

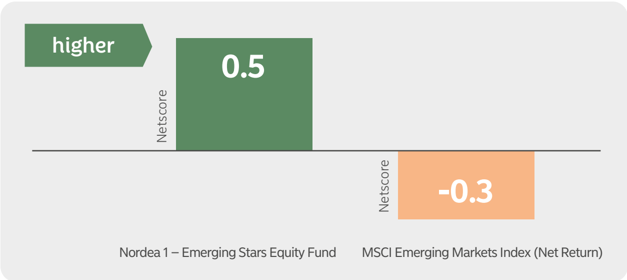
The contribution of the portfolio to the 7 social objectives is 1.4x higher than the benchmark.



Comparison with other financial products or benchmarks is only meant for indicative purposes.

Exposure to the 8 environmental objectives[10]

The contribution of the portfolio to the 8 environmental objectives is higher than the benchmark.



Comparison with other financial products or benchmarks is only meant for indicative purposes.

Top 3 social objectives

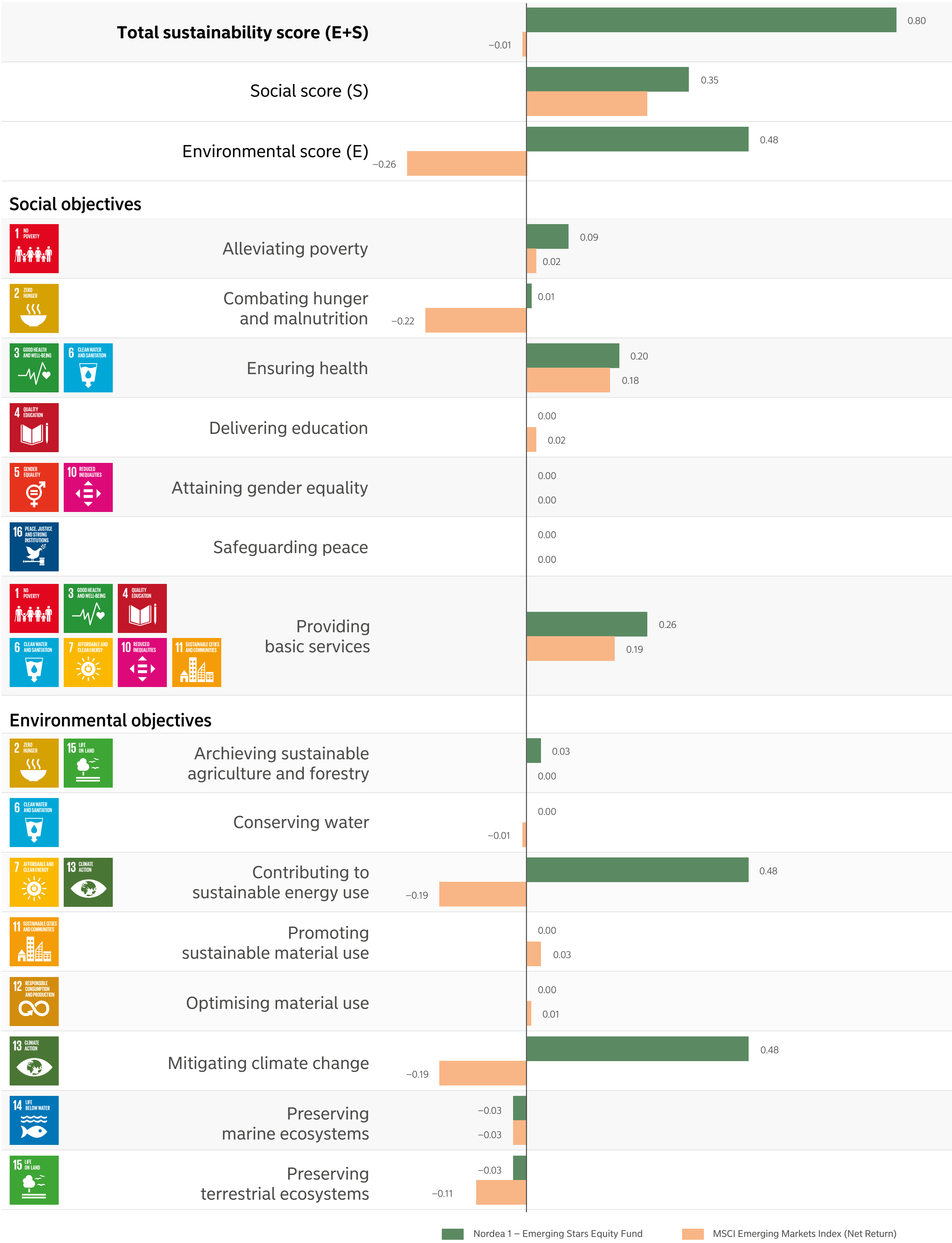
1. Providing basic services
2. Ensuring health
3. Alleviating poverty

Top 3 environmental objectives

1. Contributing to sustainable energy use
2. Mitigating climate change
3. Achieving sustainable agriculture and forestry

10) Please note that the total sustainability score is the sum of the social and environmental scores and may slightly differ due to rounding differences. Further information on SDGs is available at www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.html. Sources: Nordea Investment Funds S.A., ISS-ESG, United Nations Sustainable Development Goals.

Sustainability score details



Comparison with other financial products or benchmarks is only meant for indicative purposes. The total sustainability score (E+S) represents the Overall SDG Solutions Score as defined by ISS-ESG. This score is based on the Social SDG Solutions Score (S) and the Environmental SDG Solutions Score (E). Please note that the Overall SDG Solutions score may slightly differ from the aggregated figures of the social and environmental scores due to rounding differences. Further information on SDGs is available at www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.html. Sources: Nordea Investment Funds S.A., ISS-ESG, United Nations Sustainable Development Goals.

Active ownership

The aim of this section is to describe some of the voting and engagement activities over the last quarter for this specific fund. This tool, therefore, is not meant to be fully comprehensive, but to allow investors to follow-up on the fund's relevant active ownership activities.

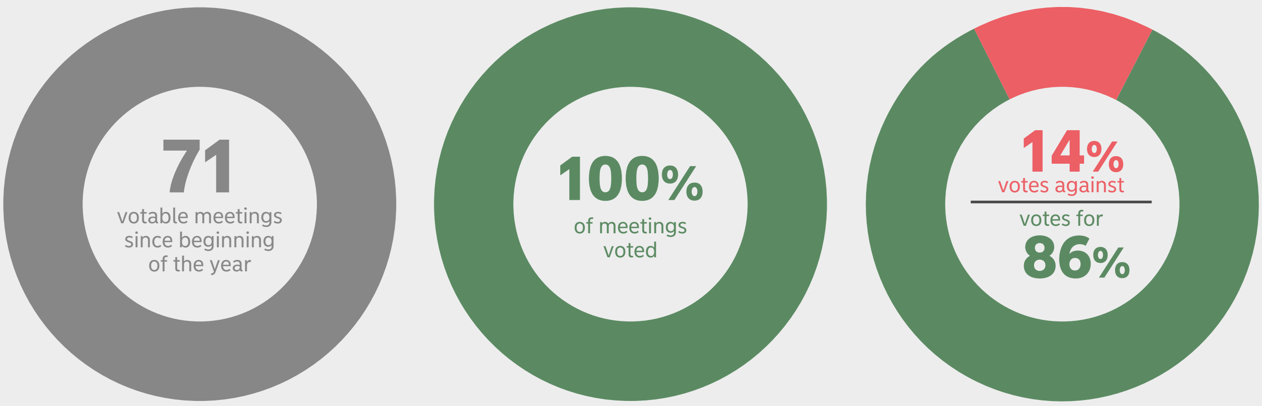
By adhering to Nordea's responsible investment policy, the fund excludes companies breaching international norms or involved in sectors we do not consider acceptable. However, excluding a company from our portfolios is always a last resort. Engagement is always our preferred approach and of paramount importance to NAM. We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. Our active ownership efforts begin with voting on our holdings, attending Annual General Meetings (AGMs) and representation on nomination committees. Our publicly available Voting Portal shows how we have voted in AGMs for stocks held across our funds. Access to the Voting Portal as well as our Corporate Governance Principles can be found here.

Engagement is the next step of being an active owner and is a crucial component of our RI philosophy and framework. Our engagement activities fall into one or more of three different categories. The first type addresses companies that are in breach of international norms or conventions or those involved in ESG-related incidents. The second type relates to ESG-related risks or opportunities identified by portfolio managers and financial analysts via our company assessments. The third and final stream concerns our thematic engagements.

Engagement categories:

- **Norms- and incident-based engagement:**
  engaging with companies breaching the international norms or conventions or companies having ESG related incidents
- **Investment-led engagement:**
  engaging with companies on their material ESG risks
- **Thematic engagement:**
  engaging on specific sustainability themes in focus

Voting



Engagement cases

Alibaba Group Ltd.

Nordea ESG scoring[10]	Proxy Voting[11]	SDG Engagement	Engagement topic
B	✓	8 Decent work and economic growth 5 Gender Equality	Gig-worker's working conditions Protection of female employees rights

Overview

Alibaba Group Holding Ltd. provides online and mobile marketplaces in retail and wholesale trade. They are one of the biggest companies in China, directly employing more than 240,000 people. The company was founded by Chung Tsai and Yun Ma in 1999 and is headquartered in Hangzhou, China.

Background

Alibaba plays a vital role in strengthening China's position as a global supplier with its wholesale platform, as well as in creating entrepreneurship in China after the market reform in 1997 which saw the country transition from a fully planned economy. Alibaba's ecosystem spans across multiple industries and is an integrated part of almost all Chinese people's lives. NAM has been a long-term investor in Alibaba, and for the first time in a long time had the chance to visit the company's HQ in China and carry out an onsite engagement.

The Engagement

We met with Alibaba to follow up on labour rights topics, as the company had been noted by ISS in 2020 for its inability to respect the rights to safe and healthy working conditions of gig-workers on its Ele.me platform (a digital food delivery platform, similar to Uber Eats or Wolt). In addition to that, we also discussed its workplace diversity and engagement following the sexual assault scandal in 2021.

Outcome

Since 2020, Alibaba had carried out various structural changes and reforms to protect gig-workers' safety and health conditions. Regarding safety measures, Alibaba changed the strictness level of its algorithm, which previously would impose severe penalties if drivers deliver late (even by minutes). The improved KPI measures removed those strict time controls and, instead, use the overall rating over a longer period of time. Furthermore, the new algorithm imposes mandatory 20-min rest time after delivering for 4 hours to protect drivers. During 2021, Ele.me achieved training for over 5 million drivers, and 30,000 road safety training sessions in collaboration with local traffic bureaus. Besides, Ele.me launched "smart helmets" in a few pilot cities to minimise its drivers' mobile use during driving.

Regarding employee health, Ele.me offers health packages according to Chinese Labour Law, annual physical checks, as well as mental health counselling. Those are now reported under the annual "Ele.me Gig-worker Annual Report". In addition, Ele.me initiated a career development track for employees who would like to develop in the company's district logistics hubs, operation centres, among others.

When asked about working conditions during China's strict covid lockdown, Ele.me platform reported to have established a "Pandemic Care fund", which includes a 300,000 RMB compensation. If a driver caught covid during working hours, they could apply for 150 RMB isolation care payment per day. However, Ele.me were not able to provide the number of employees who actually received the payment. NAM welcomed those initiatives, and suggested Alibaba to further improve disclosure, such as reporting the exact number of employees who received the compensation so that its impact can be assessed.

On the topic of workplace diversity, Alibaba introduced a series of changes since the sexual assault case in 2021, which is now considered closed as per the court's decision. Alibaba's CEO, Daniel Zhang took this very seriously. Immediately after the scandal, they established an internal Workforce Environment Committee that reports directly to the CEO. Additionally, a whistle blower channel was built specifically for sexual harassment and emergency support. We acknowledged Alibaba's rapid action and determination to change workplace culture, and will monitor if any similar cases resurface in the future. It is important to point out that Alibaba has an employee diversity split of 49.5%, which is ahead of many other tech giants such as Amazon (44.8%) and Apple (42%).

Lastly, during onsite engagement, we noticed the company culture of Alibaba is quite collaborative, friendly and college-like. They refer each other as "Tong Xue" (or "study buddy" in Chinese), and their office sites are referred as "campuses". We observed a sense of proudness and belonging among them, and noted that it is a popular career destination for fresh graduates in China.

10) Current scoring, based on Nordea proprietary ESG model. 11) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM took place.
Please find out more on nordea.com/sustainability or access directly the voting portal.

China Mengniu Dairy

Nordea ESG scoring[10]	Proxy Voting[11]	SDG Engagement	Engagement topic
B+	✓	13 Climate action	Decarbonization strategy Emission reduction

Overview

China Mengniu Dairy is a leading manufacturer and distributor of milk products in China. Their product range covers liquid milk, yogurt, milk beverage, ice cream, milk formula, with production facilities in China, New Zealand, Indonesia and Australia. The company entered a joint venture with the Scandinavian-based dairy company Arla named Mengniu Arla, and an acquisition of an Australian baby formula maker.

Background

The dairy industry is exposed to significant sustainability risks, such as deforestation risk for land use and feed production, or high GHG emissions throughout the value chain. In 2019, the dairy sector accounted for 3-6 percent of global CO_2-equivalent emissions, and the majority of these comes from enteric fermentation. At the same time, dairy products play an important role in people's diet. The demand for milk will inevitably grow along with China's increasing high income population. As a leading dairy company in China, it is therefore important to hold dialogues with Mengniu on its decarbonisation strategy.

The Engagement

Mengniu is amongst the top 200 emitters across NAM's portfolio. We had an engagement call with Mengniu's Head of Investor Relations, around the topic of emission reduction. We've seen improvement in Mengniu's ESG efforts and disclosure, compared to the start of investment in Feb 2022. It had improved disclosure in its scope 1,2 inventory emission and estimated scope 3 emission. Additionally, it also published its net-zero strategy in latest ESG report. It also became a signatory of "pathway to dairy net-zero" and UNGC. One of Mengniu raw milk producers - Shengmu (30% owned by Mengniu) has submitted to SBTi and RE100, which is clearly a leading performance among Asian dairy producers.

Outcome

Mengniu has a net-zero target of 2050, including scope 1,2 and 3 emission. Since Mengniu does not own direct farms, the majority of its GHG comes from its raw milk producers. They currently source 40% of raw milk from large scaled farms, and 60% from small and medium local farms across China. Mengniu told us one of their biggest challenges is the calculation of its entire scope 3, since some small/medium farms lack the technology to track and monitor their GHG emission. Consequently, Mengniu's plan is to engage with those farms by improving their technologies and trainings based on the scaled farms, with the help of 3rd party. Additionally, they started to explore animal feed and breed adjustment as an effort to lower methane and carbon emission. Some farms that have more than 5000+ cattle, developed biomass as part of their manure management. And they will gradually push smaller farms to do the same.

When asked about whether they will consider alternative protein. Mengniu answered they are currently doing R&D in substituted protein, and already offer more organic milk product than its major competitor. However, they also voiced that they have not seen significant demand increase from Chinese consumers. The most important feature is product quality which Mengniu has invested extensively over the past decade, but they do see growth potential and will explore the possibility. We acknowledged Mengniu's efforts in ESG management during 2022, and will continue to engage with them on their decarbonisation strategy, as well as other topics such as bio-diversity, deforestation and animal welfare. Given the significant improvement in disclosure and active attitude, the ESG rating has upgraded to B+.

10) Current scoring, based on Nordea proprietary ESG model. 11) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM took place.
Please find out more on nordea.com/sustainability or access directly the voting portal.

Hong Kong Exchange & Clearing

Nordea ESG scoring[10]	Proxy Voting[11]	SDG Engagement	Engagement topic
A	✓	13 Climate action	Climate Disclosure

Overview

Hong Kong Exchanges & Clearing Limited owns and operates the stock exchange, futures exchange, and their related clearing houses in Hong Kong. The Company provides the trading platforms for a range of cash and derivatives products and the facilities for processing trades. It is a leading stock exchange in Asia, and among the top performers of ESG management in the local market.

Background

With EU's SFDR regulation coming into practice and ESG rising on top of regulators' agenda in Asia, it is a relevant time to hold dialogue with HK Exchange, in order to understand the upcoming disclosure requirement (amid ESG regulation change), as well as its engagement efforts when it comes to China mainland companies, which are economically important but historically lagging ESG disclosure.

The Engagement

The investment and ESG team had an onsite physical meeting in Hongkong ,with its investor relation and CSR head who oversees ESG management. We discussed the expected timeline for HK exchange to adopt TCFD recommendation in its ESG disclosure requirements. They expected to have an updated ESG requirement disclosure consultation by 2023 H2, and fully adopt TCFD recommendation by 2025. Furthermore, their current engagement efforts are focused on holding consultation with companies on how to effectively evaluate ESG. HKEX believes that they want to focus on both quality and impact, therefore they prioritise education and engagement than immediate mandatory requirements as it sees itself a strong ESG advocate, and will lead by example. Furthermore, they launched a new concept called ESG academy to serve as a one-stop shop on ESG. Lastly, they also host conferences & meetings on how companies can evaluate their supply chain. They told us that they have seen significantly improved ESG disclosure amongst Chinese companies during 2022.

Outcome

HKEX in general demonstrates above-peer ESG disclosure, with a clear strategy on managing scope 1+2 emission. Current STARS rating: A (unchanged). The interaction with them indicated their willingness to move listed companies to better ESG understanding and disclosure. Their role here is to build infrastructure and transparency for both the listed companies and investors. However, their current conundrum is the lack of an international reporting standard (pending ISSB's output), which is faced by the entire industry. We expect their impact to be large when they started to ask for mandatory disclosure of ESG data. Lastly, current geo-political complexity also poses short-term uncertainty, but they believe ESG momentum will continue. We will stay tuned on any changes in ESG disclosure requirements. acknowledged Mengniu's efforts in ESG management during 2022, and will continue to engage with them on their decarbonisation strategy, as well as other topics such as bio-diversity, deforestation and animal welfare. Given the significant improvement in disclosure and active attitude, the ESG rating has upgraded to B+.

10) Current scoring, based on Nordea proprietary ESG model. 11) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM took place.
Please find out more on nordea.com/sustainability or access directly the voting portal.

Appendix

Methodology – Sustainability footprint

CO_2e emissions

Shows annual greenhouse gas emissions produced directly by the companies in the underlying funds and from their consumption of energy (Scope 1+2).

This metric is calculated by relating the annual greenhouse gas emissions (in tonnes, translated into CO_2 equivalents) of the underlying companies to the weight of those companies (equity exposure) in the fund/portfolio and to the size of the invested amount. The comparison with the car emissions is based on data from EEA/ICCT on average emissions for new cars sold in EU in 2016.

Why do we measure the CO_2e emissions footprint:
While it is good to turn lights off to save energy, 20 companies have alone contributed to 35% of all energy-related carbon dioxide and methane worldwide, totalling 480bn tonnes of carbon dioxide equivalents (GtCO_2e) since 1965. (Source: The Guardian)

Fossil reserves

Shows the future potential CO_2e emissions if oil, gas and coal reserves owned by the companies in the underlying funds are extracted from the ground and burned.

This metric is calculated by relating the proven and probable resources of oil, gas and coal that the underlying companies have disclosed, to the weight of those companies (equity exposure) in the fund/portfolio and to the size of the invested amount. Please note that the calculation considers the lifetime CO_2e emissions (in tonnes) associated with these reserves. The comparison with number of flights is based on calculations from ICAO.

Why do we measure the fossil reserves footprint:
While the business of extracting oil, gas and coal from the ground emits large amounts of CO_2, an even larger amount is emitted when the resources are used as fuel. Extraction companies can therefore potentially cause future emissions by extracting reserves.

What are CO_2 equivalents:

Different greenhouse gasses that contribute differently to global warming. According to the GHG Protocol, they are all converted into one measure, CO_2 equivalents:

Greenhouse gas	CO_2 equivalent
Carbon Dioxide	1
Sulphur Hexaflouride	22.8
Methane	25
Nitrus Oxide	298
Hydro Flouro Carbons	2.400
Per Fluoro Carbons	7.850

What are Scope 1, 2 and 3 CO_2 emissions:

- Scope 1 are direct emissions from owned or controlled sources
- Scope 2 are indirect emissions from the generation of purchased energy
- Scope 3 are all indirect emissions that occur in the value chain of the reporting company, upstream and downstream

For instance, a car manufacturer: The car manufacturer emits CO_2e when assembling cars (Scope 1). The manufacturer's suppliers emits CO_2e to generate electricity for the manufacturer production of electricity (Scope 2). A rental car provider operates the cars and emits CO_2e over the product's lifetime (Scope 3).

Waste generation

Shows how much waste the companies in the underlying funds produce annually, that is either incinerated or disposed to landfill.
This metric is calculated by relating the annual waste generation (in tonnes) of the underlying companies to the weight of those companies (equity exposure) in the fund/portfolio as well as the size of the invested amount. The comparison with number of waste bags considers that an average waste bag has 7kg and is based on data sourced from EU and Plast.dk.

Why do we measure the waste generation footprint:
With the current pace of plastic waste ending up in the oceans (equal to one garbage truck dumped in the oceans every minute), it is projected that by 2050, the total amount of plastic waste in the oceans will weigh more than all fish, and 99% of seabirds will have ingested plastics. Hence there is an urgent need to limit the waste. (Source: WWF)

Water usage

Shows how much water the companies in the underlying funds directly use or purchase annually.
This metric is calculated by relating the annual water use (in cubic meters) of the underlying companies to the weight of those companies (equity exposure) in the fund/portfolio and to the size of the invested amount. The comparison with household usage is based on average European household water consumption data from Eurostat.

Why do we measure the water usage footprint:
The fashion industry is the third largest annual user of water globally after oil and paper, responsible for more than 10% of the water used by all types of industry. Depending on materials and production processes, fashion companies can reduce their water footprint. (Source: Common Objective/WWF)

Disclaimer

Sustainability information
The information Nordea Investment Funds S.A. is providing to you as part of their services on specific legal entities' sustainability (the "Sustainability footprint") is based on third party information provided to or obtained by Matter from either publicly available sources on sovereign topics, third-party analysis or as third-party evaluation on corporate topics.

Nature of the Sustainability footprint
The Sustainability footprint does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities or other financial instruments in the legal entities to which the Sustainability footprint is provided on, nor shall it or any part of it be relied on in connection with any contract commitment or investment decision in relation thereto. Wording in the Sustainability footprint, including titles of the flags used are only intended for the purpose of providing an impression of the legal entities' compliance with ESG factors chosen by Matter and do not serve as a proof or detailed description of any of the issues described.

The Sustainability footprint shall not be seen as an analysis of the legal entities general performance economically / financially or in relation to the sector of industry, in which the legal entities are operating. Nothing in the Sustainability footprint constitutes or should be considered as constituting a promise or a guarantee concerning any future developments, events, figures, etc. Nordea Investment Funds S.A. assumes no obligation to provide additional information or to update Sustainability footprint or correct inaccuracies in Sustainability footprint, unless when explicitly agreed.

Limitation of liability
No representation or warranty, express or implied, is given by Nordea Investment Funds S.A. or any affiliates or directors, officers or any other person as to the fairness, accuracy or completeness of the Sustainability footprint and no liability whatsoever for any loss howsoever arising from any use of the Sustainability footprint is accepted by Nordea Investment Funds S.A. or any affiliates or directors, officers or any other person.

Reliance
The Sustainability footprint is provided solely to you. The provision of the Sustainability footprint to you does not impose any obligation on Nordea Investment Funds S.A. to allow any other than you to rely on Sustainability information, unless explicitly agreed.

Methodology – ESG overview

ESG rating

The ESG rating assesses the resilience of a fund's aggregate holdings to long-term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks. Data provided by MSCI ESG Research LLC.

ESG rating breakdown

The percentage of portfolio's market value exposed to ESG leaders (best in class companies, rated AAA or AA), average ESG performers (rated A to BB), and ESG laggards (worst in class companies, rated B or CCC) relative to the fund's benchmark. Data provided by MSCI ESG Research LLC.

Portfolio ESG scores per pillar

The environment score represents the weighted average of all Key Issues that fall under the Environment pillar. The social score represents the weighted average of all Key Issues that fall under the social pillar. Starting with a "10", the governance score is based on the sum of deductions derived from key metrics included in the corporate governance (including ownership & control, board, pay and accounting) and corporate behavior (including business ethics and tax transparency) themes. The individual pillars of the ESG scores do not add up to the aggregated Fund ESG score due to adjustment factor which takes ESG trends into account during the aggregation process. For further details, please refer to official MSCI ESG Fund Ratings methodology document. Data provided by MSCI ESG Research LLC.

ESG risk exposure

The percentage of portfolio's market value exposed to environmental, social and governance key issues. Data provided by MSCI ESG Research LLC.

Environmental characteristics

Weighted average carbon intensity (WACI):
The WACI measures a portfolio's exposure to carbon intensive companies. Since companies with higher carbon intensity are likely to face more exposure to carbon related market and regulatory risks, this metric can serve as a proxy for a portfolio's exposure to potential climate change-related risks relative to other portfolios or relative to a benchmark.

Calculating a portfolio's WACI is achieved by calculating the carbon intensity (Scope 1 + 2 Emissions / $M Sales) for each portfolio company and calculating the weighted average by portfolio weight. Unlike the portfolio carbon intensity, carbon emissions are apportioned based on portfolio weights / exposure, rather than the investor's ownership share of emissions or sales. This measure is in line with the EU's non-financial reporting directive and TCFD (Task force for climate-related financial disclosure) recommendations. Emissions and sales values for equities is sourced from MSCI, and for bonds from ISS-ESG.

Exposure to high impact fossil fuel reserves (%):
The percentage of portfolio's market value exposed to companies that own high impact fossil fuel reserves. High impact fossil fuel reserves include thermal coal, oil sands, and shale oil and shale gas. Data provided by MSCI ESG Research LLC.

Exposure to environmental controversies (%):
The percentage of portfolio's market value exposed to companies facing one or more very severe environmental controversies related to energy & climate change, land use & biodiversity, toxic spills & releases, water stress, or operational waste. Data provided by MSCI ESG Research LLC.

Social characteristics

Exposure to human rights norms violation (%):
The percentage of portfolio's market value exposed to companies in violation of international norms around human rights. Data provided by MSCI ESG Research LLC.

Exposure to human rights controversies (%):
The percentage of portfolio's market value exposed to companies facing one or more very severe human rights and community controversies related to Impact on local communities, civil liberties, or human tights. Data provided by MSCI ESG Research LLC.

Exposure to labour controversies (%):
The percentage of portfolio's market value exposed to companies facing one or more very severe labour controversies related to child labour, collective bargaining, discrimination, health & safety, labour management, or supply chain labour standards. Data provided by MSCI ESG Research LLC.

Governance characteristics

Exposure to companies with no female directors (%):
The percentage of portfolio's market value exposed to companies with no female directors. Data provided by MSCI ESG Research LLC.

Exposure to companies with a majority of independent board members (%):
The percentage of portfolio's market value exposed to companies with board independence between 50%-100%. Data provided by MSCI ESG Research LLC.

Exposure to governance controversies (%):
The percentage of portfolio's market value exposed to companies facing one or more severe or very severe governance controversies related bribery, fraud, controversial investments, and governance structure. Data provided by MSCI ESG Research LLC.

Methodology – Contribution to SDGs

Description

This report highlights how portfolio companies - through their products and services - have positive and negative impact on a total of 15 sustainability objectives covering both Social and Environmental aspects. These objectives have been developed by ISS-ESG and closely aligned with the United Nations Sustainable Development Goals. The objectives include 7 Social and 8 Environmental objectives with scores ranging from -10 to +10. The results are then compared with the benchmark.

Please note that this report does not comment on the Governance aspect as we already report on such considerations in separate reports.

As the UN SDGs primarily target states and the public sector, not all goals are relevant for companies. For this reason, ISS-ESG defined a total of 15 sustainability objectives which are closely aligned with the SDGs. 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. As a result, the positive and negative effects of different product groups may partly cancel each other out within a given objective.

Further information on ISS-ESG and the methodology is available here.

List of the 15 overarching sustainable objectives

7 Social objectives

- Alleviating poverty
- Combating hunger and malnutrition
- Ensuring health
- Delivering education
- Attaining gender equality
- Providing basic services
- Safeguarding peace

8 Environmental objectives

- Achieving sustainable agriculture & forestry
- Conserving water
- Contributing to sustainable energy use
- Promoting sustainable buildings
- Optimising material use
- Mitigating climate change
- Preserving marine ecosystems
- Preserving terrestrial ecosystems

Please note that each portfolio and benchmark are assigned a score ranging from –10 to +10 based on the above 15 sustainable objectives. For the approach to be meaningful and sound we have assumed that the minimum coverage at the fund level should at least be 60 %. This means that for a fund score to be meaningful at least 60 % of its holdings need to have a score.

Complete list of SDGs:

Source: un.org/development/desa/en/news/sustainable/sustainable-development-goals.html

UN Sustainability Development Goals

UN Sustainability Development Goals	Corresponding ISS-ESG Sustainability Objectives
No poverty	– Alleviating poverty – Providing basic services (access aspect)
Zero hunger	– Combating hunger and malnutrition – Achieving sustainable agriculture and forestry
Good health and well-being	– Ensuring health – Providing basic services (access aspect)
Quality education	– Delivering education – Providing basic services (access aspect)
Gender equality	– Attaining gender equality
Clean water and sanitation	– Conserving water (quality and quantity aspect) – Ensuring health (sanitary aspect) – Providing basic services (access aspect)
Affordable and clean energy	– Contributing to sustainable energy use (clean aspect) – Providing basic services (access aspect)
Decent work and economic growth	–
Industry, innovation and infrastructure	–
Reduced inequalities	– Attaining gender equality – Providing basic services
Sustainable cities and communities	– Promoting sustainable buildings – Providing basic services (access aspect regarding housing, transportation)
Responsible consumption and production	– Optimising material use
Climate action	– Mitigating climate change – Contributing to sustainable energy use
Life below water	– Preserving marine ecosystems
Life on land	– Preserving terrestrial ecosystems – Achieving sustainable agriculture and forestry
Peace, justice and strong institutions	– Safeguarding peace
Partnerships for the goals	–

Note: Further information on SDGs is available at: www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.html.
Source: ISS-ESG, United Nations Sustainable Development Goals.

Glossary

Active ownership
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 AGMs, standard setting, engagement with companies, filling resolutions etc. A detailed description of NAM's engagement processes can be found in the NAM RI Policy.

Engagement
A form of active ownership. The practice of shareholders entering into a dialogue with the management of companies to change or influence the way in which the companies are run.

NAM's engagement activities can be divided into three different categories:

1. **Investment-led engagements**: Engagement on ESG-related risks or opportunities identified by portfolio managers and financial analysts via our company assessments.
2. **Norms- and incident-based engagement**: Engagement with companies breaching the international norms or conventions or companies having ESG related incidents.
3. **Thematic engagements**: Focuses on companies' exposure to specific sustainability themes in focus. We have identifies 5 focus themes: biodiversity, climate, human rights, good governance, and water. We engage with these companies both individually and through collaborative engagements.

Enhanced exclusion filters and 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, gaming, pornography etc. In addition, some products 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.

Environmental, Social and Governance (ESG)
Environmental (E), Social (S), and Governance (G) refer to the three main areas of analysis in modern responsible investment. ESG risks and opportunities are identified through careful analysis of a company´s operations. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine for instance how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

ESG integration
The explicit inclusion of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This considers 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.

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

The strategies focus on selecting companies, not only with sound fundamentals, but also with high ESG scores. Using the 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 identified ESG risks. Furthermore, each company's business model alignment with the 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.

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 fossil fuels with thresholds for revenues coming from oil sands (10%) or arctic drilling (5%).The NAM level exclusion list can be found here.

Integration of Principal Adverse Impact (PAI)

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. NAM's disclosure statement on the integration of Principal Adverse Impact indicators can be found here.

Norms-based screening

NAM's investment products are subject to norms-based screening, which identifies companies that are allegedly involved in breaches of international laws 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.

Paris Aligned Fossil Fuel Policy (PAFF)

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. Funds for which the PAFF is not implemented as a hard exclusion criterion, the PAFF acts as guidance for engagement. PAFF criteria also inform the prioritisation of our top-down thematic engagements. The PAFF policy and list of Paris-aligned issuers can be found here.

Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015. The SDGs are part of Resolution 70/1 of the United Nations General "Transforming our World: the 2030 Agenda for Sustainable Development". The goals are an urgent call for action by all countries – developed and emerging – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all the while tackling climate change and working to preserve our oceans and forests.

Overview of Investment Strategy*

This Sub-fund aims to achieve long-term capital growth by investing mainly in a diversified portfolio of equity or Equities Related Securities of companies, which are domiciled or exercise the predominant part of their economic activity in the Emerging Markets. The fund is managed by the Fundamental Equities Team, based in Copenhagen, focusing on fundamental bottom-up research. Alpha is generated through stock selection and by actively incorporating an ESG based analysis as part of the investment process. Actively managed. Benchmark used for performance comparison only. Risk characteristics of the fund's portfolio may bear some resemblance to those of the benchmark.

* There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

Nordea
ASSET MANAGEMENT