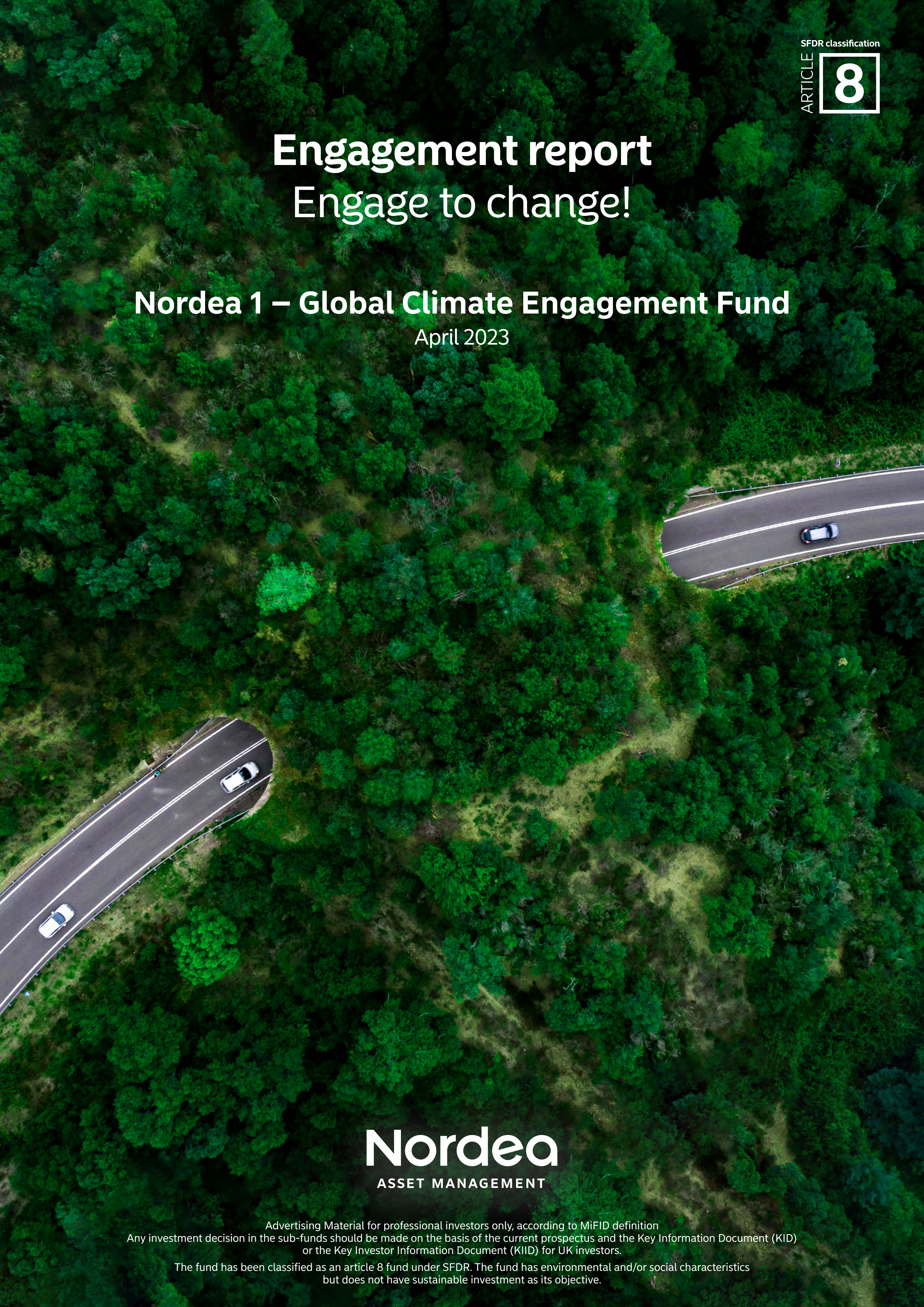


SFDR classification
ARTICLE 8

Engagement report
Engage to change!

Nordea 1 – Global Climate Engagement Fund
April 2023

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.

Table of contents

Foreword

When we launched the Nordea 1 – Global Climate Engagement Fund on the 26th of April 2022, our mission was two-fold – to deliver alpha for our clients who have entrusted us with their assets and bring about real world change*. We believe we can achieve this by being different from the crowd and seeking out misunderstood stories in the context of the transition to a green economy.

What do we mean by this? Well, the strategy concept was born after witnessing the rapid growth of ESG-focused funds over the past few years and the subsequent capital flight from those parts of the market deemed as less good in ESG terms. This is especially true of the industries with heavy environmental footprints, which many asset owners have divested from in an effort to reduce the footprint of their portfolios.

The reality is that many of these companies will still be around in the low carbon economy of the future, and some may even play a crucial role in achieving sustainability goals. Excluding them from portfolios may look good on paper, but will have a limited impact in the real world.

For us as investors this creates an exciting opportunity. We believe that there are many businesses that are currently perceived as laggards in the context of the energy transition, but which are still relevant in the future green economy and may even be critical in enabling sustainability commitments. This underappreciation is often reflected in these companies being undervalued relative to their justified worth.

So back to the statement about being different from the crowd – in this strategy we are going towards the flight of capital triggered by the ESG movement and seeking companies with the potential to reduce transition risks and accelerate opportunities arising from the future green economy. This includes improving environmental performance of operations and aligning business models with a low-carbon economy, which we believe will lead to positive impact in the real world.

The strategy is called Climate Engagement for a reason – we engage with the management teams of all the companies in the portfolio. Many of these companies are undervalued because their prospects are misunderstood. There are two key steps that may unlock their real value: making and implementing commitments to change – backed by science – and ensuring the market understand these actions – which requires full transparency. Our engagements focus on achieving these steps, recognizing that it can take time to achieve management commitments and that the journey to improved environmental performance can be bumpy. Feasibility of engaging is key, both in terms of management teams' willingness and ability to adapt, and we assess this before we initiate any holding and on an ongoing basis as we conduct our engagements.

We are passionate about our mission, and we have held our resolve through the first year of the strategy, which has been characterized by extreme market volatility and geopolitical upheaval. We look to the future with continued commitment and determination.

Alexandra Christiansen
CFA, Portfolio Manager on the Nordea 1 – Global Climate Engagement Fund

* 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.

Engagement overview: key metrics

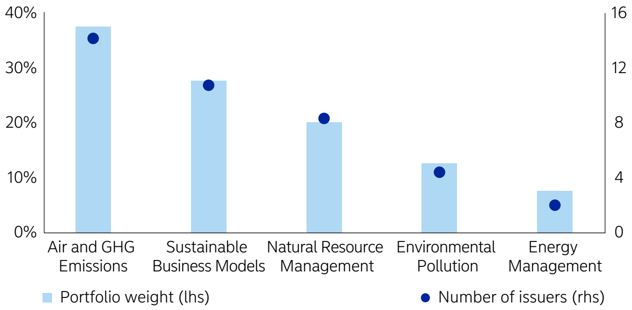
What have we already achieved?

Since the launch of the Nordea 1 – Global Climate Engagement Fund in April 2022, we have engaged with 100% of the portfolio companies, living up to the commitment that underlies our strategy.

Engagement themes and activities

The portfolio invests and engages across 5 climate-focused themes: **Air and Greenhouse Gas Emissions, Energy management, Environmental pollution, Natural resource management and Sustainable business model**. These are all different – though sometimes overlapping – aspects of climate management. You can find more information on this process in **Our engagement framework** on page 13.

Engagement Themes across the portfolio
(portfolio weightings 30.04.2023)

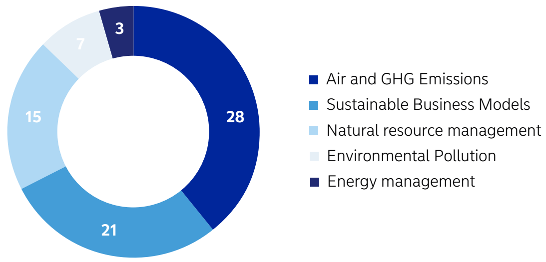


Source: Nordea Investment Management AB. Date: 30.04.2023.

Engagement activities by theme (number of meetings April 2022 – March 2023)

During the first year of activity, we engaged with all our holdings. The greatest advancement has been made in the Air and GHG emissions theme, driven by our engagements with RWE and Arcelor Mittal.

Overview of engagement activities
from April 2022 to April 2023
(In terms of number of meetings)

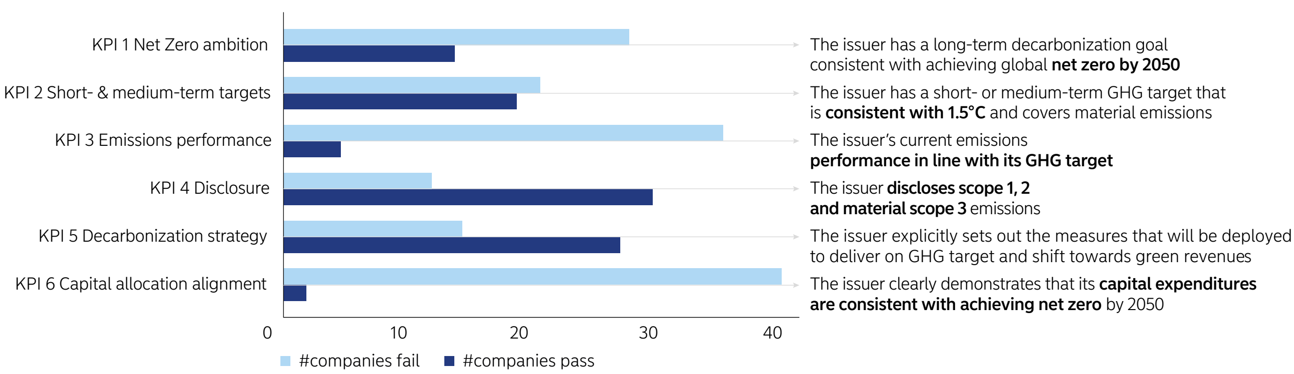


Source: Nordea Investment Management AB. Date: 30.04.2023.

Moving towards Net Zero[1]

In order to create a systematic and scalable process, we have formed six KPIs, in alignment with the **IIGCC Net Zero Investment Framework**[2], that are applicable across industries. The starting point for each engagement case is based on the company's current status in its sustainability journey. From here, we set milestones for each specific engagement to track the progress of the engagement.

Holdings' status against our Net Zero KPIs

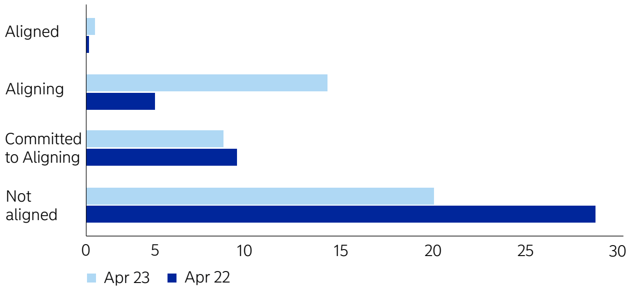


Source: Nordea Investment Management AB. Date: 30.04.2023

1) Achieving "net zero" means operating without adding to the greenhouse gas levels in the atmosphere. There are two ways to achieve this: by reducing emissions and by offsetting emissions through actions that can absorb carbon from the atmosphere, such as planting trees. Some organisations will do both. 2)The Net Zero Investment Framework was developed by NAM along with other members of the Institutional Investor Group on Climate Change (IIGCC). This framework is the first-ever practical blueprint for investors to maximise the contribution they make in tackling climate change, with an emphasis on achieving real world emissions reductions in investee companies.

As companies progressively meet our KPIs, they move their businesses from a non-climate-aligned position through commitment and execution until they finally become aligned to net zero. You can find more information on this process in **Our engagement framework** on page 14.

Progress towards Net Zero-alignment
(number of companies in each category)

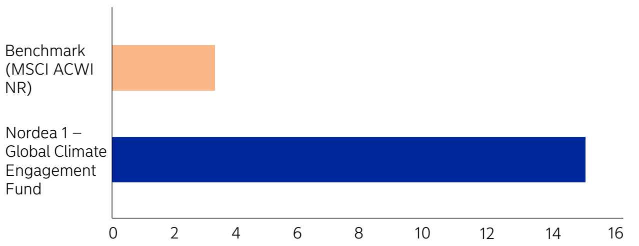


Source: Nordea Investment Management AB. Date: 30.04.2023.

Emissions performance

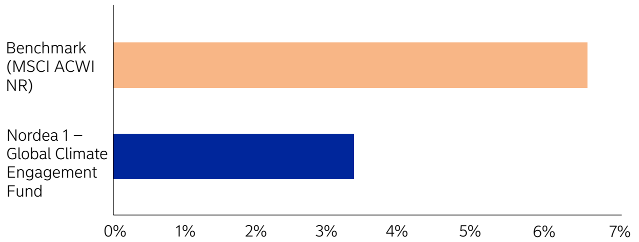
Holdings in the Nordea 1 – Global Climate Engagement Fund are, in aggregate, higher emitters than other companies in the benchmark and even within their sectors. More importantly, our research leads us to believe that these companies will decarbonize faster than their peers and that the market has not recognized this. As our goal is to bring about real world change, we have developed a new way of measuring the emissions reductions delivered by the portfolio so we can quantify the real change the portfolio is delivering. You can read more about this metric in **Bringing about real world change: spotlight on emissions** on page 18.

Absolute change in emissions (in $tCO_2e/mUSD$)*



Source: Nordea Investment Management AB. Period under consideration: 30.04.2022 – 30.04.2023.

Relative change to total carbon footprint (in %)*



Source: Nordea Investment Management AB. Period under consideration: 30.04.2022 – 30.04.2023.

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

Spotlight on portfolio emissions performance

In many ways, 2022 was a challenging year for a strategy like the Global Climate Engagement, which focuses on delivering real world change and decarbonizing the high emitting sectors. However, despite the war in Ukraine and resulting energy independence questions, we decided to launch the fund in April 2022 as we recognise the urgency of reducing CO_2 emissions and the long-term investment impact this will have for our investors.

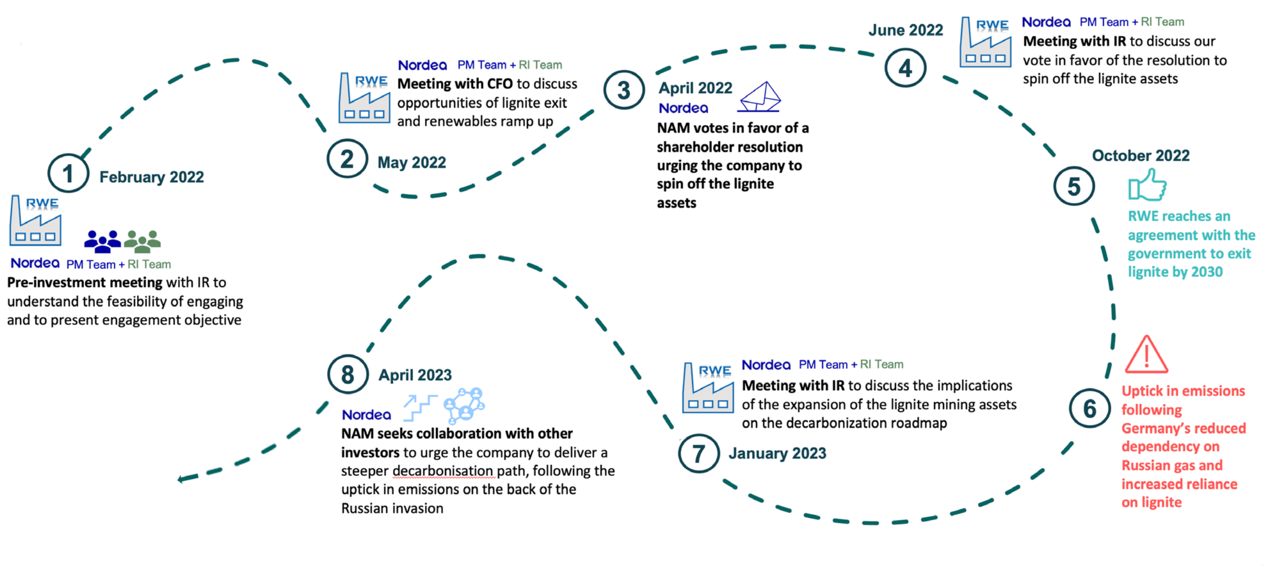
Against this background, emissions progress in the fund's first year has been challenging, as the war of Ukraine demonstrated quite painfully the world's dependency on Russian energy. To prevent Europe sliding into an energy crisis, many companies took a step backwards in their transformation story with a shift back into traditional energy. The portfolio's 3.4% increase in cumulative emissions should be seen in this context of a temporary push back, which not only affected our portfolio positions, but the whole equity market, whose emissions relative to total carbon footprint increased almost twice as much as our fund´s (see bar chart on slide 5).

Just to illustrate the above, let´s drill down to look at one key holding: RWE a German multinational energy company. Until October it was on a very positive trajectory, on the back of the agreement with the German Government to phase out of coal by 2030 instead of 2038 as well as the extensive investments into renewables. However, the reduced dependency on Russian gas came at the cost of an increased reliance on lignite, a type of coal, which led to an uptick in emissions for RWE. If we had excluded RWE from our portfolio, the portfolio would have seen a cumulative emission reduction of –0.40%.

Instead of exiting from RWE and showing better reporting numbers, we stand firm in our belief that it is exactly situations like this that demand investment and engagement in order to achieve real world emissions reductions. Our goal is to deliver on our long term promise – to achieve real world impact by decarbonizing the heavy emitters – even if it comes with some short term pushback.

Engagement example: RWE

- **Company profile:** Integrated power and gas utility with a major presence in Central Europe and the UK
- **Principal issues:** High emissions levels associated with the legacy lignite assets
- **Engagement objective:** Push RWE on bringing forward their lignite exit date from 2038 to 2030, in line with science, and to achieve emissions reduction targets



Source: Nordea Investment Management AB.

Engagement case studies

Engagement theme: Air and GHG emissions

Case Study: US Foods Holding

Background

US Foods is the second-largest foodservice distributor in the United States, with approximately 250,000 clients across the country and more than 6,000 different suppliers. Although not a visibly heavy emitter, since approximately 90% of its carbon footprint comes from indirect (Scope 3[3]) emissions, US Foods is a good illustration of the complexities of reducing emissions in the real world. Given the indirect nature of these emissions, the company faces the significant challenges of measurement and emissions reductions in a diverse supply chain.

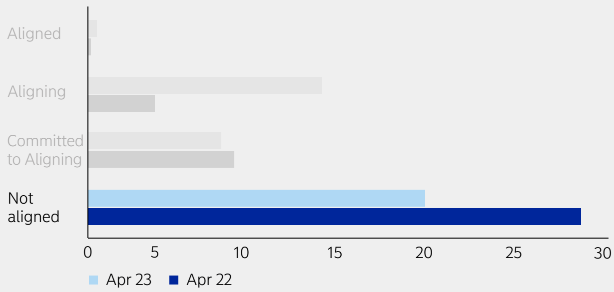
Engagement topic

We encourage US Foods to adopt sustainability measures as primary criteria in sourcing decisions and supplier reviews (engagement focus).

The engagement

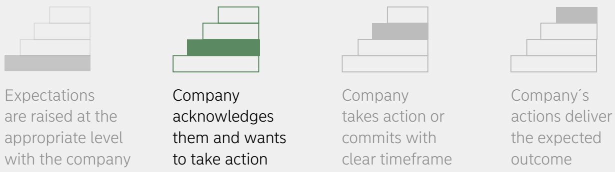
- In July 2022, the company has committed to have 35% of its suppliers (by emissions) covered with science-based targets by 2027. While we were encouraged by the approval of this target by the Science-Based Target Initiative[4], we believe that the execution is the decisive factor for actual emissions reduction
- We have thus reaffirmed to the CFO the importance of gathering reliable and accurate data from suppliers – both direct and indirect – to complete the inventory of its Scope 3 emissions and encouraged even more ambitious carbon-cutting goals
- We are monitoring advancement in the dialogue on two metrics: the completion of the GHG inventory with Scope 3 emissions and the development of a sustainable product portfolio. Those are good indicators of how US Foods mitigates environmental impacts in its supply chain, where most of its GHG emissions lies

US Foods Holding's progress towards net-zero alignment



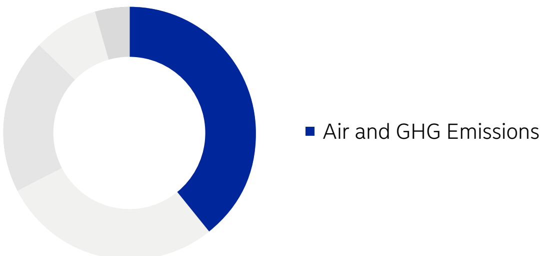
Source: Nordea Investment Management AB. The chart shows the total number of companies in each category and is for illustrative purposes only. Date: 30.04.2023.

US Foods Holding's progress in our milestone system



Outlook

While US Foods is working towards the decarbonization of its own operations, through fleet fuel management and energy efficiency, we believe it also has a major role to play in building a net zero food supply chain. We expect the company to take even more responsibility for the emissions attached to its purchasing decisions in a timeframe of three years and ensure the underlying raw materials can be produced with a reduced nature and climate impact.



Engagement status

Contact at company level: C-suite
Number of meetings: 1
Net zero status: Not aligned
Engagement status: Milestone 2 achieved

Source: Nordea Investment Management AB. Date: 30.04.2023.

3) Carbon footprint scopes are a concept coined by the Greenhouse Gas Protocol (GHG Protocol), a comprehensive standardized framework for measuring and managing emissions from private and public sector operations, value chains, products, cities, and policies. **Scope 1** includes all direct emissions coming from the activities of a company (e.g. the pollution emitted from a factory). **Scope 2** includes indirect emissions from the consumption of purchased energy, coming from a utility provider. Scope 3 includes all other indirect emissions from the activities of a company, upstream or downstream, occurring from sources that they may not fully own or control (e.g. transportation and distribution of materials and final products). 4) Science-based Target Initiative (SBTi): The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). Established in 2015, it aims to support companies to set emission reduction targets in line with climate science and the Paris Agreement goals, enabling them to tackle global warming while seizing the benefits and boosting their competitiveness in the transition to a net-zero economy.

Engagement case studies

Engagement theme: Sustainable Business Models

Case Study: GFL Environmental

Background

GFL Environmental is a Canadian waste management company with high CO_2 emissions. With direct greenhouse gas emissions (Scope 1) above the industry median - and rising (+61% from 2020 to 2021) – GFL Environmental stands out as one of the top emitters in Canada. However, as a provider of waste services, the company has a significant opportunity to contribute to the transition to a low-carbon future, e.g. through the recovery of valuable resources.

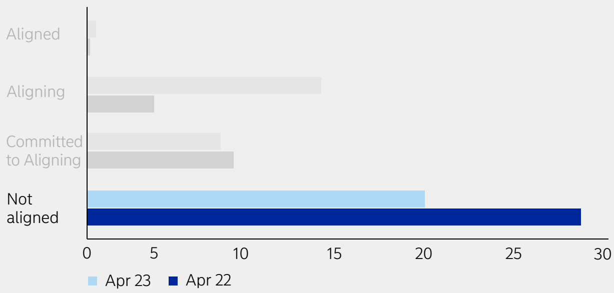
Engagement topic

We encourage GFL Environmental to explicitly increase its support to the development of waste valorisation infrastructure, such as recycling and landfill gas-to-energy facilities.

The engagement

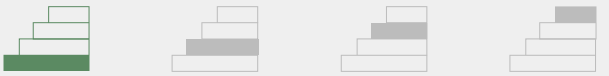
- We believe that GFL Environmental could become an industry leader if it would take more corrective action to reduce its carbon footprint and capture fugitive landfill gas emissions. We have encouraged the company to adopt a thorough decarbonization strategy to ensure sufficient progress on its greenhouse gas emissions reduction target (–15% by 2030)
- While GFL is currently in the early phase of its waste-to-energy projects lifecycle assessment, our interactions with top management have revealed good awareness and intentionality to reduce both carbon and methane emissions. One of the main levers would be the expansion of energy recovery from waste and we expect the company to disclose capital allocation to those projects and their expected contribution to its CO_2 emissions reduction goal

GFL Environmental's progress towards net-zero alignment



Source: Nordea Investment Management AB. The chart shows the total number of companies in each category and is for illustrative purposes only. Date: 30.04.2023.

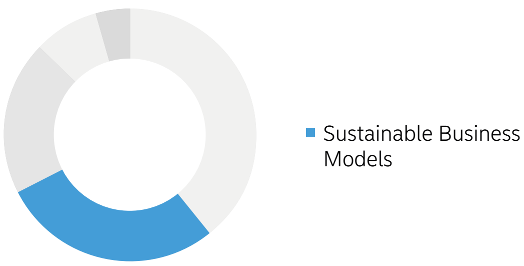
GFL Environmental´s progress in our milestone system



Outlook

We have welcomed the adoption of its first greenhouse gas emissions reductions target in November 2022, as it indicates willingness to reduce emissions from landfills, fleet and electricity use and to increase emissions-avoiding services such as waste-to-energy and recycling. We support the company's ambition to first gather data followed by evaluating the depth and speed at which emissions can be reduced before committing to net zero, but expect them to progressively align with a 1.5°C pathway.

In 2023, we will encourage the company to take a public commitment to set a science-based target as it would ensure that GFL's plan to reduce Scope 1 and 2 absolute greenhouse gas emissions is aligned with the Paris Agreement to limit global warming to 1.5°C.



Engagement status
Contact at company level: C-suite
Number of meetings: 1
Net zero status: Not aligned
Engagement status: Milestone 1

Source: Nordea Investment Management AB. Date: 30.04.2023.

Engagement case studies

Engagement theme: Natural Resource Management

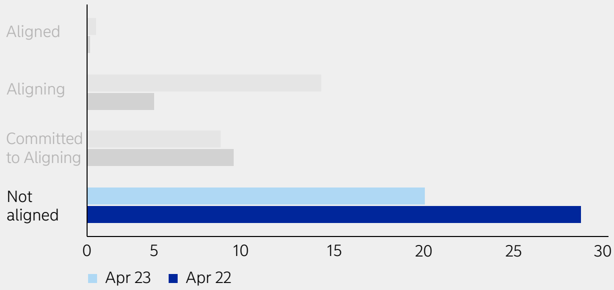
Case Study: Ashland

Company profile
Ashland is a US-based speciality chemicals company with a focus on consumer market additives and specialty ingredients. While chemicals can negatively impact human health and the environment during various stages of their life cycles, the company's portfolio of more sustainable chemistry plays an important role in providing more natural, recyclable and sustainable products to its customer base.

Engagement topic
We encourage Ashland to provide greater transparency on the ESG characteristics of its solutions and set a target for its sustainable offering.

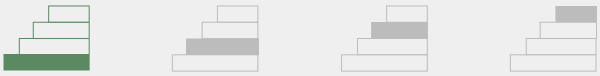
The engagement
- While Ashland is well positioned in terms of core chemistry and innovations, we do not believe its position as a leading supplier of sustainable ingredients is being recognised by the wider market. Ashland may even be penalized for its lack of climate disclosure and ambitious sustainability targets
- We have encouraged senior management to go beyond considering sustainability as a marketing tool, and to make it a central aspect of their strategy in terms of expertise, transparency, and targets

Ashland's progress towards net-zero alignment



Source: Nordea Investment Management AB. The chart shows the total number of companies in each category and is for illustrative purposes only. Date: 30.04.2023.

Ashland´s progress in our milestone system



Outlook
In 2023, we will keep holding the company accountable for the strategic direction towards environmental stewardship, mostly through the completion of the ongoing process of setting science-based targets. Beyond the business-specific sustainability guides that help customers quickly identify sustainable products for their applications, we would like Ashland to define more clearly the sustainability characteristics of its products, e.g., by measuring how they comply with the 12 principles of Green Chemistry[5].

Source: Nordea Investment Management AB. Date: 30.04.2023.

Engagement status
Contact at company level: C-suite
Number of meetings: 5
Net zero status: Not aligned
Engagement status: Milestone 1

5) Developed by Paul Anastas and John Warner in 1998*, the list outlines a framework for making a greener chemical, process, or product: https://www.acs.org/greenchemistry/principles/12-principles-of-green-chemistry.html.

Engagement case studies

Engagement theme: Environmental Pollution

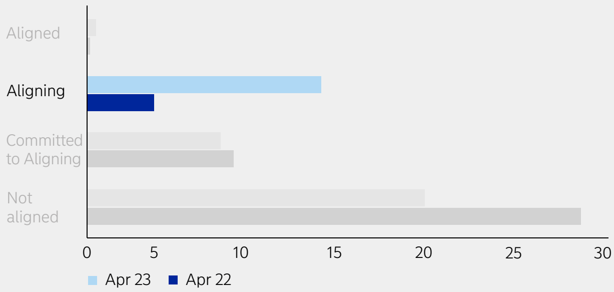
Case Study: Solvay

Background
Solvay is a Belgian multinational chemical company with a large proportion of its business coming from the production of soda ash, which has many end uses including glass manufacturing, detergents, soaps and rechargeable batteries. The production of soda ash is carbon intensive, contributing to around two-thirds of the company's emissions profile. At the same time, Solvay uses hazardous chemicals in its products and processes and is now working to find safer substitutes.

Engagement topic
We support an acceleration of the decarbonization of Solvay's most carbon-intensive activity, i.e., the production of soda ash, and greater transparency around the production of hazardous chemicals.

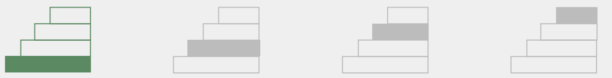
The engagement
- We initially set out to engage with Solvay around the urgency of bringing down emissions in the production of soda ash, improving and following through on its decarbonization commitments and cultivating and clarifying the sustainable offerings
- We have thus taken lead roles in two collaborative engagement initiatives: within the realm of **Climate Action 100+**, we discuss the company's decarbonization efforts and under the **Investor Initiative on Hazardous Chemicals (IIHC)**, we urge Solvay to further increase transparency around hazardous substances as well as to commit to a complete phase out of 'forever chemicals'
- Last year, we have been encouraged by Solvay's recent announcement of its technological advancements in the development of a proprietary method to produce soda ash, allowing improvements in CO_2 levels, water consumption, brine and limestone usage and residues
- The company claims that, implemented at scale, not only would it allow the plants to operate more sustainably, it would also increase efficiency and competitiveness – showcasing how improved sustainability can generate positive economic effects

Solvay's progress towards net-zero alignment



Source: Nordea Investment Management AB. The chart shows the total number of companies in each category and is for illustrative purposes only. Date: 30.04.2023.

Solvay´s progress in our milestone system



- Solvay has moved from Not aligned to Aligning. The group has committed to reduce absolute scope 1 and 2 GHG emissions with 31% by 2030 from a 2018 base year.[6] Solvay commits to reduce 24% absolute Scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities, processing of sold products, and end of life treatment of sold products by 2030 from a 2018 base year

Outlook
Within our investment horizon, we will advocate for an accelerated roll out of the new soda ash technology role, as the current decarbonization plan could take up to 30 years to implement across the Solvay group, and a clear plan to move away from hazardous substances.

Source: Nordea Investment Management AB. Date: 30.04.2023.

Engagement status
Contact at company level: C-suite
Number of meetings: 2
Net zero status: Aligning
Engagement status: Milestone 1 achieved

6) The target boundary includes land-related emissions and removals from bioenergy feedstocks.

Outlook

Markets have been challenging since the launch of the Nordea 1 – Global Climate Engagement Fund. One of the historically steepest increases in interest rates spearheaded by the US Federal Reserve and followed by global central banks is putting stress on the financial system, providing a difficult market environment for global equities. The spotlight has once again turned on the financial sector after the collapse of Silicon Valley Bank and Credit Suisse, which brought back memories of the Global Financial Crisis and the inherent systemic risks within large global financial institutions. Additionally, the military conflict between Ukraine and Russia continues to pose uncertainties for global markets, and political tensions between China and the U.S. also remain lingering risk factors.

While we acknowledge the challenging environment in the short-term, we believe that Climate Engagement investors should be well-positioned to benefit longer-term. We continue to see significant investment opportunities arising from the global shift towards a green economy that impacts companies' business fundamentals and justified valuations, leading to changed market perceptions and share prices. Our overall outlook for the long-term potential of the strategy has not changed. The Russia/Ukraine crisis has increased the motivation for the world to be less fossil fuels reliant, and has accelerated energy transition ambitions and policies for many companies and countries. The **Inflation Reduction Act** in the US and the **Net Zero Industry and Critical Raw Materials Acts** in Europe are clear affirmation of this.

As for institutional investors, many have made climate commitments, and while some cases of wavering occurred in 2022, more and more investors are making commitments of their own. This will continue to drive the demand for strategies with a climate theme, although finding the correct balance between approaches that promise a "clean" portfolio and those that aim for real-world impact on GHG emissions is not straightforward.

Our innovative **Global Climate Engagement Strategy**, and our recently launched thematic engagement campaign to reduce methane emissions especially illustrate the seriousness with which we approach the concept of real-world impact.

In conclusion, investors have had to digest the twin threats of war and inflation and the fact that some ESG strategies faced temporary headwinds as sectors of the economy typically underweighted or excluded from ESG portfolios rallied. The Nordea 1 – Global Climate Engagement Fund lends itself to a more contrarian style of investing and as such the investment universe has a value-bias and tends to outperform when value is winning over growth in the market. We have observed this over the past year with attractive performance*. This could be a useful source of diversification for ESG-focused asset owners, as we observe that most ESG strategies in the market tend to have more of a quality/ growth bias in contrast.

In summary, every day, climate change, biodiversity loss and a host of social issues are only becoming more – not less – material for investors, supported by an inexorable march of regulation aiming to force companies to limit their negative externalities. We are confident in the role we can play in helping investors address these planetary issues that threaten to become portfolio issues if left unchecked.

* The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money.

Appendixes

Our approach, investment universe and engagement framework

"Even companies that need to improve their climate credentials will have a role in the transition to a green economy" Elin Noring, Senior Engagement Specialist at Nordea Asset Management.

The **Nordea 1 – Global Climate Engagement Fund** focuses on companies whose valuation is being overly penalized for energy transition risks or does not reflect the future potential of the business in the low carbon future. We believe there are many businesses currently perceived as environmental laggards that have the potential to still be relevant in the future green economy, or even be critical to enable the transition to net zero. By engaging with management teams, we aim to help drive the necessary changes to unlock this underappreciated value.

Defining our investable universe

While a major focus in the fund is on GHG emissions, our goal is to incorporate other areas that play a significant role in climate change as well. Building upon the **Sustainability Accounting Standards Board (SASB)** materiality map[7] to ensure we reflect the interdependence of climate and ecosystems, we have established 5 engagement themes to focus upon.

Determining our investment universe

The materiality map

Nordea

Engagement on material **environmental issues** is at the heart of this strategy. We thus use the **SASB Materiality Map** as a starting point for our investment universe. Our **search radius** covers the sectors that are most meaningfully affecting and/or impacted by **climate, natural resources and biodiversity issues.**

			Nordea Climate Engagement Strategy
	Risks	**SASB Issue Categories**	**Engagement Themes**
Environment	Climate Action Failure	Environment | GHG Emissions	**Air and GHG emissions**
	Climate Action Failure	Environment | Air Quality	
	Climate Action Failure	Environment | Energy Management	**Energy management**
	Nature Crisis	Environment | Water & Wastewater Management	**Environmental pollution**
	Nature Crisis	Environment | Waste & Hazardous Materials Management	
	Nature Crisis	Environment | Ecological Impacts	
	Nature Crisis	Business Model & Innovation | Supply Chain Management	**Natural resource management**
	Nature Crisis	Business Model & Innovation | Materials Sourcing & Efficiency	
Company	Transition Risk	Business Model & Innovation | Product Design & Lifecycle Management	**Sustainable business model**
	Physical Risk	Business Model & Innovation | Physical Impacts of Climate Change	
	Physical Risk	Business Model & Innovation | Business Model Resilience	

Source: Nordea Investment Management AB, SASB.

Within these themes, we look for potential climate improvers that are undervalued relative to their justified worth. We are searching for companies with a continued role in a low carbon economy, that have started their transition journey but that need to improve and demonstrate that they will continue to be relevant in the transitioning world.

We are **not** looking for:

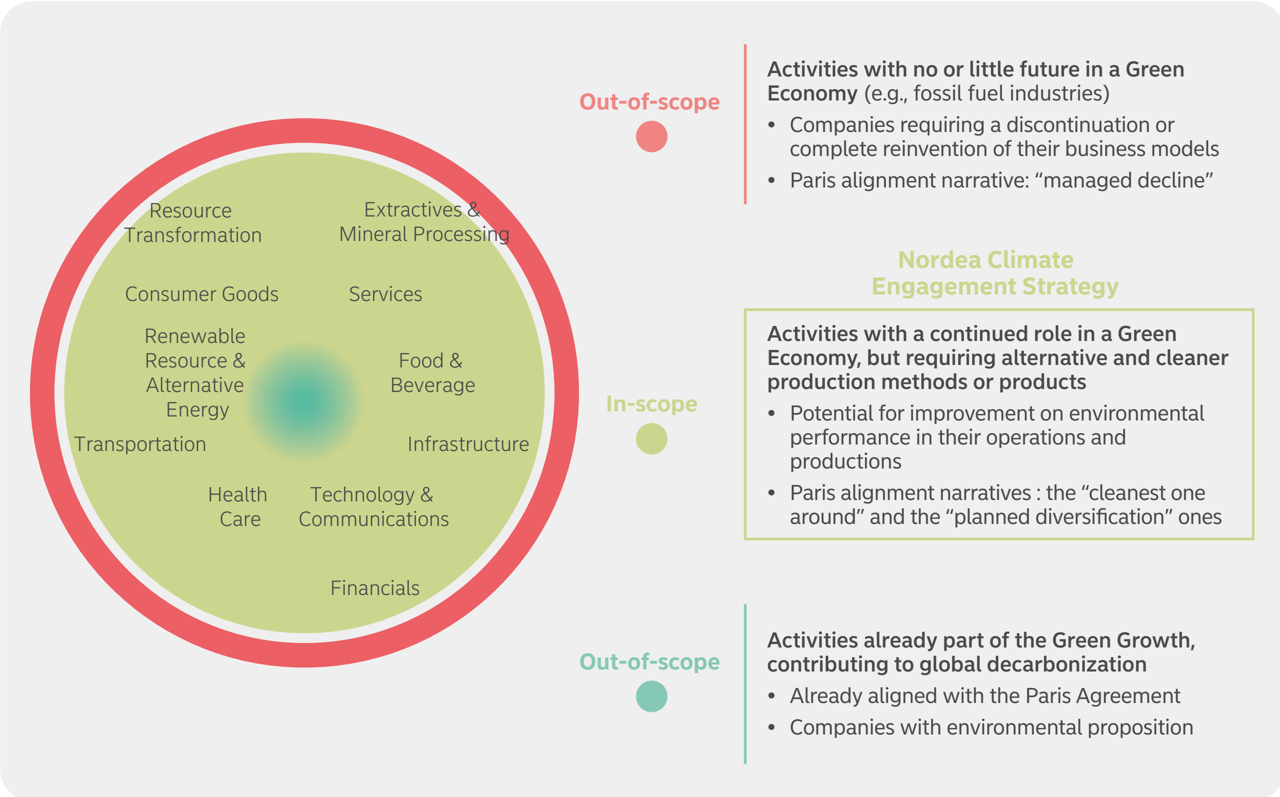
- Businesses that need to completely transform their business models to stay relevant in a low carbon economy (e.g., the coal industry)
- Companies where the feasibility to engage is low, that is, companies that are not open for engagement with investors on improving their climate credentials
- Companies that are already the recognised climate leaders and solution providers of today

7) Sustainability Accounting Standards Board (SASB) has mapped all sectors to their defined sustainability issues, and shown the materiality of these issues within each sector.

Area of potential

Seeking out climate improvers & engagement candidates

Within these sectors we look for potential environmental improvers, rather than established environmental leaders.



Source: Nordea Investment Management AB, SASB.

Our engagement framework

Engagements are carried out by NAM's Responsible Investments team in conjunction with the portfolio management team. The teams have together developed a robust engagement framework and set of milestones that ensure our engagements are consistent and can be tracked. Our process involves the following four steps.

1. Pre-investment evaluation

We assess the feasibility of engagement before we invest. We consider three key points:

- **Workability of engagement:** Factors we consider include the quality of governance, the existence of a majority shareholder and whether we can obtain a sizeable position
- **Achievability of objectives:** Here we review whether the engagement objective fits into our investment horizon, the regulatory context and the existence of collaborative efforts that can be leveraged upon
- **Connection to investment case:** Here we review whether a successful engagement can result in increased revenues, reduced operating expenses and/or an enhanced risk profile

Each year we review the responsiveness of each holding, to ensure that the company fulfills our feasibility requirements.

2. Engagement initiation

Here we set the engagement objective and determine the indicators to evaluate progress. We establish a scorecard for each engagement case to focus our engagement efforts and provide the investees and our clients with full transparency into what we engage upon. The scorecard contains the following elements:

- Two company-specific indicators tailored to the engagement objective, defined with a double materiality approach (influencing business value and reducing the environmental impacts)
- Four climate-related credibility indicators to address the holding's climate strategy. Their completion is ultimately reflected in progress in the net-zero alignment status (further detailed in the box below)

Engagement roadmap	To be addressed	Milestone			
		1	2	3	4
Credibility indicators					
TCFD reporting					
Net zero ambition					
Science-based target					
Executive pay linked to sustainability goals					
Company indicators					
KPI 1					
KPI 2					

Source: Nordea Investment Management AB, SASB.

Box 1 – How do we assess net-zero alignment status

Following the Net Zero Investment Framework[8], we assess companies on six net-zero alignment KPIs that are applicable across industries. These net-zero alignment KPIs take a cumulative path that allows us to classify companies as:

- Not committed to aligning
- Committed to aligning
- Aligning
- Aligned

As each company meets more net-zero alignment KPIs, it moves through the classifications until, having met all six, it can be considered **Aligned to net zero**.

Alignment KPIs	Threshtold	Not aligning	Committed	Aligning	Aligned
1 Net-zero ambition	The issuer has a long-term decarbonization goal consistent with achieving global **net zero by 2050**	x	√		√
2 Short- & medium-term targets	The issuer has a short- or medium-term GHG target that is **consistent with 1.5°C** and covers material emissions			√	√
3 Emissions performance	The issuer's current emissions **performance in line with its GHG target**				√
4 Disclosure	The issuer **discloses scope 1, 2 and material scope 3** emissions			√	√
5 Decarbonization strategy	The issuer explicitly sets out the measures that will be deployed to **deliver on GHG target and shift towards green revenues**			√	√
6 Capital allocation alignment	The issuer clearly demonstrates that its **capital expenditures are consistent with achieving net zero** by 2050				√

8) The Net Zero Investment Framework was developed by NAM along with other members of the Institutional Investor Group on Climate Change (IIGCC). This framework is the first-ever practical blueprint for investors to maximise the contribution they make in tackling climate change, with an emphasis on achieving real world emissions reductions in investee companies.

3. Execution and monitoring

We expect to engage with each holding **on at least an annual basis.** The number of interactions will vary according to how much support is required to fulfill our engagement objective and our conviction in the company's advancements.

Our engagement objectives are short-term goals that are material to our holdings. Today's actions and commitments are decisive to mitigate adverse environmental impacts, with lasting effects often beyond our investment horizon. Our efforts are therefore focused on pushing companies for credible indications today that the appropriate direction is taken: we expect companies to acknowledge our expectations and take measures to deliver positive environmental change in the long run. Through transparent and consistent goal setting, we believe our investment activities incentivize the environmental transformation of our investee companies, delivering real economy impact.

For that reason, we use the scorecards to 1) monitor progress of each holding in responding appropriately to expectations 2) establish our contribution to the achievement of positive change and 3) document and review the engagement to identify where there is need for escalation. The upper section of the scorecard reflects progress on credibility indicators, while the lower section captures progress on the company-specific engagement indicators.

We track progress towards our goals with milestones which are consistent across the indicators.

Milestone 1	Milestone 2	Milestone 3	Milestone 4

Expectations are raised at the appropriate level with the company	Company acknowledges them and wants to take action	Company takes action or commits with clear timeframe	Company´s actions deliver the expected outcome

To ensure our engagements remain feasible, we conduct yearly reviews of the 'responsiveness' of each investee. Factors we consider include:

- Accessibility: whether we obtain access to the appropriate level in the company, i.e. company representatives that have influence over the strategic direction
- Transparency: if the company provides the level of transparency necessary for us to sufficiently monitor the performance towards fulfilling the engagement objective
- Credibility: whether the company is deemed to be trustworthy and whether it tends to deliver on what it sets out to achieve

4. Escalation strategy

If we deem that a holding is failing to progress towards its engagement objective, we will not hesitate to escalate our engagement efforts. Our escalation tool box includes writing open letters to management teams to publicly state our position, voicing our discontent through voting at AGMs, and seeking collaboration with other investors to increase the ownership share and consequently the pressure on the company. If a company fails to fulfill our engagement objective and remains unresponsive despite of other escalation efforts, then we will consider that the investment case has lapsed and divest to reallocate capital to another case with better feasibility.

Once a company fulfills our engagement expectations and this is reflected in the share price, we will divest and recycle capital into a new company that is further behind on its climate transitioning journey.

Collaborative Networks

Climate Action 100+ · CDP · IIGCC · PRI Principles for Responsible Investment · FAIRR A Coller Initiative · Ceres Sustainability is the bottom line.

Climate Action 100+ We are a signatory of the Climate Action 100+, a collaborative five-year global initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

Carbon Disclosure Project (CDP) We are a signatory to the CDP, a project that aims to collect and share information on greenhouse gas emissions and climate change strategies. We are also represented on the CDP Water Advisory Council.

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.

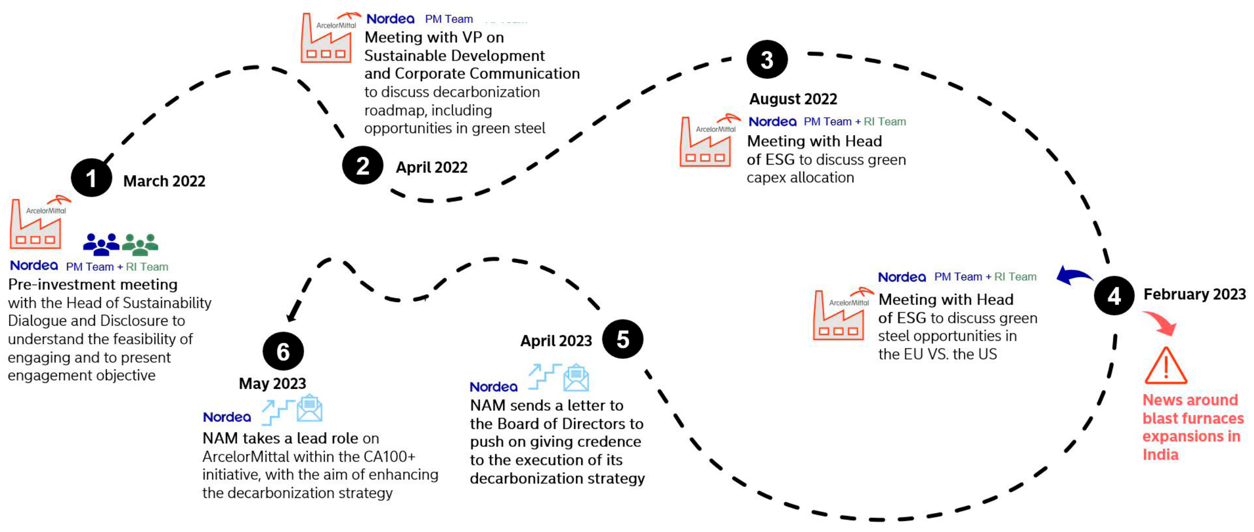
IIGCC provides investors with a collaborative platform to encourage public policies, investment practices and corporate conduct that address long-term risks and opportunities associated with climate change.

PRI is an investor initiative to incorporate ESG in investment processes. We were an early adopter of RI and signed the PRI as early as 2007.

Ceres The Coalition of Environmentally Responsible EconomieS (CERES) is a US-based nonprofit organization advocating in favor of ethical-environmentally sustainable business practices. Through collaboration with investors, companies and nonprofits, the Ceres works to influence economic systems and strengthen policy to drive large-scale economic transformation. Their focus activities includes, but is not limited to, coordinating stakeholder engagements, delivering science-based research and innovative tools that inspire best practices, and wielding media and digital communications to promote bold sustainability leadership.

Engagement example: ArcelorMittal

- **Company profile:** One of the world's largest and most geographically diverse producers of steel
- **Principal issues:** High emissions levels associated with the production of steel
- **Engagement objective:** Push ArcelorMittal on improving and clarifying its pathway towards achieving decarbonization targets



Source: Nordea Investment Management AB.

Bringing about real world change: spotlight on emissions

Holdings in the Nordea 1 – Global Climate Engagement Fund are, in aggregate, higher emitters than other companies in the benchmark and even within their sectors. More importantly, our research leads us to believe that these companies will decarbonize faster than their peers and that the market has not recognized this. As our goal is to bring about real world change, we have developed a new way of measuring the emissions reductions delivered by the portfolio so we can quantify the real change the portfolio is delivering.

Q: Investors are looking for ideas to decarbonise their portfolios. Can you tell us a bit about the different ways to do this?

A: Simply put, there are two main approaches to decarbonising a portfolio – top-down 'tilting' or bottom-up real emissions reductions. The former approach, where portfolios are tilted towards sectors with relatively lower emissions, may be fully de-linked from real-world decarbonisation. Many currently high emitters sectors are critical to enabling the green transition.

Most real economy emissions reductions will come from currently high-emitting companies, meaning that the link between portfolio alignment and real emissions reductions is strongest when investing in leaders and improvers in high-emitting sectors.

The bottom-up approach, which involves finding companies with sector-leading emission reduction commitments or successfully engaging companies to decarbonise, is always linked to real emissions decarbonisation. This is the approach we follow in the Nordea 1 – Global Climate Engagement Fund . We deliberately target a handful of 'improvers' in the high-emitting sectors, where we believe we have the opportunity to engage with these companies and support or accelerate their transition to net zero.

By selecting companies that are higher emitting today, but that can and want to improve, we set out not only to drive emissions reductions in the fund over time, but to create change also in the real world.

Q: It is well understood that given the focus on high emitters and engaging with them to change, traditional metrics like weighted average carbon intensity figures will not look very good for this fund. What kind of emission reporting can clients expect on this fund?

A: The net-zero commitments that many investors have made need to be met, and it is clear that shifting to low-emissions portfolios will only pay lip-service to the ultimate goal of real-world emissions reductions. Working with the high emitters is a far more effective way to bring about the change these investors want. Nevertheless, we recognize the importance of being able to report on ones' progress. This is why we have established a methodology to measure the cumulative issuer level decarbonisation of the fund, a metric designed to enable investors to demonstrate the change that their investments are bringing about.

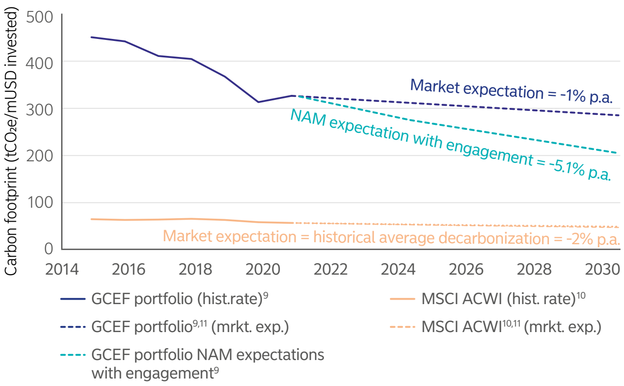
Eric Pedersen

Head of Responsible Investments

Finding an appropriate measure for real world impact: Cumulative issuer-level carbon reductions

The **Nordea 1 – Global Climate Engagement Fund ("GCEF")** focuses on companies that demonstrate a transition path for their business models to become aligned with the goals of the Paris agreement. Active ownership and engagement are key components in seeking to influence companies' behaviour, and to initiate and accelerate the needed transition. As a result we believe emissions of our holdings to fall faster than the market anticipates. The chart below shows that the fund (dark blue) has much higher emissions than the overall market (light blue), and that these portfolio emissions have fallen much faster than the market average in recent years, but market expectations are for that rate of reduction to slow dramatically. We believe that this will not happen, and with engagement, reductions will continue at the historically higher rate (green).

NAM expectations for GCEF portfolio (constant holdings) carbon emissions vs market expectations



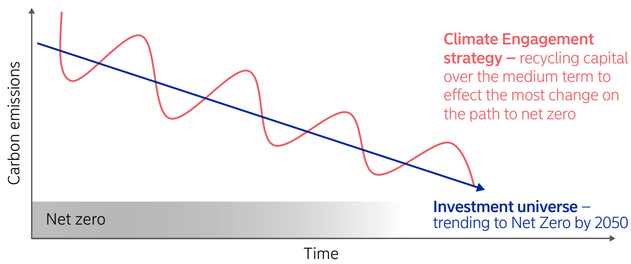
Source NIM AB, data as at 10.11.2022. **For illustrative purposes only.**

However, the portfolio-level emissions will not, in practice, fall in a straight line like this. It typically takes several years to achieve an engagement objective, and when we do achieve our objectives with each company – and other investors believe and endorse these companies – we will turn our attention to other higher emitters. This is how we believe we can make the biggest real world impact, and how we aim to crystallise value for our investors.*

Because of this active approach, portfolio emissions are likely to fluctuate around a downward-sloping trend line. Ultimately, we hope to reach the net zero target while taking a more active approach than the traditional net zero-aligned portfolio.

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. For more information on sustainability-related aspects of the fund, please visit nordea.lu/SustainabilityRelatedDisclosures. For more information on NAM Responsible Investment policies, please visit nordea.lu/ResponsibleInvestment.

A fluctuating path towards net zero



Source NIM AB, data as at 10.11.2022. **For illustrative purposes only.**

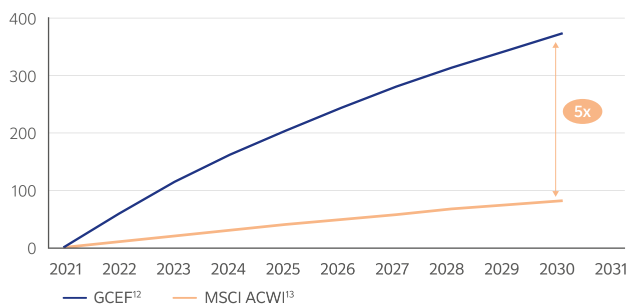
We need a metric that captures the emissions reductions over time

Our new carbon reduction metric captures the actual carbon reductions of the portfolio, and allows for changes in the portfolio composition and sector exposure. We can measure this both as a simple year-by-year comparator, and as a longer-term cumulative performance.

This figure highlights the real world reductions in financed emissions even while the absolute emissions may remain high. Measuring the changes is an important step in reducing CO_2 emissions.

While year on year changes in emissions may vary, over time portfolio's emissions reductions are likely to exceed the broader market's emissions reductions, and we believe this to accumulate over time as illustrated by the image below.

Illustrative cumulative issuer level decarbonisation of the GCEF



Source NIM AB, data as at 10.11.2022. **For illustrative purposes only.**

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* **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.** 9) GCEF portfolio Sept 2022 assuming constant portfolio composition 10) MSCI AWCI assuming constant index composition over the period 2015-2030. 11) Market expectation reflects emissions projections from MSCI ESG research. 12) GCEF portfolio Sept 2022 assuming constant portfolio composition. 13) MSCI AWCI assuming constant index composition over the period 2015–2030.

NAM's strong commitments to address climate change

Climate change has been a strategic focus for Nordea Asset Management ("NAM") since we became a signatory to the UN-supported Principles for Responsible Investment (PRI) in 2007. Since then, we cemented our climate ambitions e.g. by becoming a founding member of the Net Zero Asset Managers (NZAM) initiative in 2020 and by helping to co-create the Net Zero Investment Framework. As such, and combining this with our longstanding expertise in engaging with companies, we feel ourselves in a very strong position to support our invested companies in their energy transition in a credible and trustworthy way.

NAM's climate timeline

2007
Signatory to the UN-supported **Principles for Responsible Investment**

2008
Launch of **Nordea 1 – Global Climate and Environment Fund***

2015
First climate-related divestment from coal mining, and disclosure of the **carbon footprint** of ESG STARS funds

2018
Joined **UNEP FI pilot group** to support the development of analytical tools and indicators to report on the risks and opportunities presented by climate change

2019
Public commitment to aligning investment strategies with the objectives of the **Paris Agreement**

2020
Published **first Climate report in line with TCFD** recommendations

Published net zero targets including a reduction of the weighted average carbon intensity (WACI) of investments by 50% before 2030

Co-developed the **Net Zero Investment Framework** together with other members of the Institutional Investor Group on Climate Change (IIGCC)

Founding member of **the Net Zero Asset Managers (NZAM) initiative**

2021
Established **further reduction** and **engagement targets** to reach net zero by 2050 or sooner

2022
Launch of Global Climate Engagement Strategy

Launch of Global Sustainable Listed Real Assets strategy

2025
80% of top 200 holdings Paris aligned or engaged

Double the scope of portfolio level carbon reduction targets

Phase out investments in coal-related companies without plans to achieve a full exit from coal by 2040

2030
Achieve our **fund-specific carbon footprint reduction targets** (CO_2e/M USD invested)

100% of top 200 holdings Paris aligned or engaged

50% reduction of WACI

2050
Net zero
across Nordea Group's operations and investments

* Please note that the Nordea 1 – Global Climate and Environment Fund is soft closed since 26.02.2021.

Nordea 1 – Global Climate Engagement Fund

LU2463526074 (BP-USD) / LU2463525423 (BI-USD)

Risk indicator

1	2	3	**4**	5	6	7

Lower risk — Higher risk

Risk

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this Fund as 4 out of 7, which is a medium risk class. This rates the potential losses from future performance at a medium level, and poor market conditions could impact the Fund's capacity to pay you.

Be aware of currency risk. In some circumstances you will receive payments in a different currency, so the final return you will get depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

For more information on risks the fund is exposed to, please refer to the section "Risk Descriptions" of the prospectus.

Other risks materially relevant to the PRIIP not included in the summary risk indicator:

Country risk — China: The legal rights of investors in China are uncertain, government intervention is common and unpredictable, and some of the major trading and custody systems are unproven.

Depositary receipt risk: Depositary receipts (certificates that represent securities held on deposit by financial institutions) carry illiquid securities and counterparty risks.

Derivatives risk: Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

Emerging and frontier markets risk: Emerging and frontier markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, legal and currency risks, and are more likely to experience risks that, in developed markets, are associated with unusual market conditions, such as liquidity and counterparty risks.

Securities handling risk: Some countries may restrict securities ownership by outsiders or may have less regulated custody practices.

Taxation risk: A country could change its tax laws or treaties in ways that affect the fund or shareholders.

This product does not include any protection from future market performance so you could lose some or all of your investment.

For UK investors, please refer to the SRRI and risks as per the Key Investor Information Document (KIID) and Prospectus, which are available on nordea.co.uk.

Investment policy

The fund mainly invests in equities of companies from anywhere in the world. Specifically, the fund invests at least 75% of total assets in equities and equity-related securities. The fund may invest in, or be exposed to up to 25% of its total assets in China A-shares (directly via the Stock Connect). The fund will be exposed (through investments or cash) to other currencies than the base currency.

SFDR classification

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.

Product categorised based on the Sustainable Finance Disclosure Regulation (SFDR). For more information on sustainability-related aspects of the fund, please visit: nordea.lu/SustainabilityRelatedDisclosures


Nordea
ASSET MANAGEMENT