

# Förklaring om investeringsbesluts huvudsakliga negativa konsekvenser för hållbarhetsfaktorer

Nordea

30 June 2023

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**Finansmarknadsaktör:** Nordea Bank Abp 529900ODI3047E2LIV03

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## Sammanfattning

Nordea Bank Abp (529900ODI3047E2LIV03) beaktar investeringsbesluts huvudsakliga negativa konsekvenser för hållbarhetsfaktorer för diskretionär portföljförvaltning (1). Nordea Bank Abp har delegerat förvaltningsfunktionen för de diskretionära portföljer till Nordea Investment Management AB, gemensamt kallad "vi", "oss" eller "vår". Huvudsakliga negativa konsekvenser av investeringsbeslut som görs för dessa portföljer inkluderas således i beaktandet av huvudsakliga negativa konsekvenser för Nordea Investment Management AB. Diskretionära portföljer som förvaltas internt av Nordea Bank Abp är exkluderade från denna förklaring.

Denna förklaring om huvudsakliga negativa konsekvenser för hållbarhetsfaktorer omfattar referensperioden från den 1 januari till den 31 december 2022.

Vi beaktar huvudsakliga negativa konsekvenser på enhetsnivå genom att mäta och övervaka huvudsakliga negativa konsekvenser för hållbarhetsfaktorer från våra portföljers samtliga investeringar. Vi beaktar obligatoriska indikatorer för huvudsakliga negativa konsekvenser samt två frivilliga indikatorer som definieras av förordningen om hållbarhetsrelaterade upplysningar (SFDR)<sup>2</sup> utifrån tillgång och kvalitet gällande data. Bedömningen av huvudsakliga negativa konsekvenser beskrivs i våra policyer och processer för aktieägarengagemang. Vårt arbete med aktivt ägande består i engagemang, fullmaktsröstning, deltagande i bolagsstämmor och att bidra till utvecklingen av branschspecifika ESG-standarder (miljö, sociala frågor och bolagsstyrning).

Informationen om huvudsakliga negativa konsekvenser från våra portföljers investeringar för referensperioden 1 januari till 31 december 2022 kommer att rapporteras, utifrån tillgång och kvalitet gällande data, per den 30 juni 2023.

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<sup>1</sup> Denna förklaring gäller per den 30 juni 2023. Den kommer att granskas minst en gång per år. I händelse av eventuella inkonsekvenser i översättningen av denna förklaring, ska den engelska versionen gälla.

<sup>2</sup> Europaparlamentets och rådets förordning (EU) 2019/2088 av den 27 november 2019 om hållbarhetsrelaterade upplysningar som ska lämnas inom den finansiella tjänstesektorn.

## Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the SFDR are set out in Table 1 below. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the identified principal adverse impact.

We have also included the reported principal adverse impact of our investments, measured using these indicators, for the reference period from 1 January to 31 December 2022.<sup>3</sup> We will report this information on an annual basis, subject to data availability and quality. Information on impact compared to the previous year will be initially reported by 30 June 2024, and thereafter on an annual basis.

Table 1

### Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2022	Impact [year n-1] <sup>4</sup>	Explanation <sup>5</sup>	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1 001 809,18 tCO <sub>2</sub> e <sup>6</sup>	N/A	N/A	We are a signatory to Net Zero Asset Managers Initiative and committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. We have an organisational-wide target to reduce the weighted average carbon intensity (WACI) of our investments; a set of
		Scope 2 GHG emissions	243 427,49 tCO <sub>2</sub> e	N/A	N/A	
		Scope 3 GHG emissions	6 861 276,67 tCO <sub>2</sub> e	N/A	N/A	
		Total GHG emissions	1 245 236,68 tCO <sub>2</sub> e	N/A	N/A	

<sup>3</sup> The basis for our calculations of impact is the methodologies set out in the SFDR regulatory technical standards (Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (the SFDR RTS)). The impact has been calculated as the monthly average of impacts from 31 May 2022, but does not include an average data set of January-May 2022 due to adjustments to methodology and data availability. The reported impact does not include impact of certain holdings for which data is not available.

<sup>4</sup> Information on impact compared to previous year will be initially reported by 30 June 2024, and continuously on an annual basis.

<sup>5</sup> Explanation of difference in impact reported will be published initially by 30 June 2024, and continuously on an annual basis.

<sup>6</sup> tCO<sub>2</sub>e means tons of carbon dioxide equivalent.

	2. Carbon footprint	Carbon footprint	46,5579 tCO2e/million EUR invested	N/A	N/A	portfolio-specific carbon footprint reduction targets, and a complementary target to ensure that individual companies are engaged to become 1.5°C aligned.
	3. GHG intensity of investee companies	GHG intensity of investee companies	111,73 tCO2e/million EUR of owned revenue	N/A	N/A	We have set a 2025 target to ensure that 80% of our top 200 largest carbon footprint contributors are on a Paris-aligned trajectory or else subject to engagement to become aligned.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	3,45% investments in fossil fuels	N/A	N/A	Investment products that have been classified as Article 8 or Article 9 under the SFDR may be subject to our Paris Aligned Fossil Fuel Policy which prohibits investments in fossil fuel companies that are not transitioning in line with the climate objectives of the Paris Agreement, while still enabling investments in companies that are leading the transition out of fossil fuels, and hence for which we forecast sufficient reductions in Scope 1,2 and 3 PAI indicators over time.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	61,35%% non-renewable energy consumption 62,35% non-renewable energy production	N/A	N/A	We consider GHG emissions using an internally developed monitoring system. Issuers identified as outliers on any of the GHG emission indicators or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions as further described below.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector <sup>7</sup>	Sector A: 0.50 GWh/million EUR of revenue <sup>8</sup>	N/A	N/A	

<sup>7</sup> Impact is reported for the below high impact climate sectors.

Sector A: Agriculture, forestry and fishing

Sector B: Mining and quarrying

Sector C: Manufacturing

Sector D: Electricity gas steam and air conditioning supply

Sector E: Water supply sewerage waste management and remediation activities

Sector F: Construction

Sector G: Wholesale and retail trade repair of motor vehicles and motorcycles

Sector H: Transportation and storage

Sector I: Real estate activities

<sup>8</sup> GWh or gigawatt hours, is a unit of energy representing one billion (1 000 000 000) watt hours

			<p>Sector B: 1.91 GWh/million EUR of revenue</p> <p>Sector C: 0.44 GWh/million EUR of revenue</p> <p>Sector D: 3.24 GWh/million EUR of revenue</p> <p>Sector E: 0.86 GWh/million EUR of revenue</p> <p>Sector F: 0.13 GWh/million EUR of revenue</p> <p>Sector G: 0,47 GWh/million EUR of revenue</p> <p>Sector H: 1,20 GWh/million EUR of revenue</p>			
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			Sector I: 0.37 GWh/million EUR of revenue			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	1,12% with negative impact	N/A	N/A	<p>We are a member of the Finance for Biodiversity Pledge, a commitment of financial institutions to protect and restore biodiversity through finance activities and investments.</p> <p>We commit to take potential negative effects on biodiversity into consideration. Where possible, we engage with companies deemed to be outliers on biodiversity.</p> <p>We consider the impact on biodiversity of our investment decisions using an internally developed monitoring system. Issuers identified as outliers on the biodiversity indicator or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,56 tons/million EUR invested	N/A	N/A	<p>We consider emissions to water generated by investee companies using an internally developed monitoring system.</p> <p>Issuers identified as outliers on the emissions to water indicator or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.</p>

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1,05 tons/million EUR invested	N/A	N/A	<p>We consider the hazardous waste and radioactive waste ratio generated by investee companies using an internally developed monitoring system.</p> <p>Issuers identified as outliers on the indicator or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.</p>
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## INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

<b>Social and employee matters</b>	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,78% involved in violations	N/A	N/A	<p>We adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that we invest into comply with these norms.</p> <p>Our investments are subject to norm-based screening, which identifies investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises.</p> <p>If a company is identified in this screening process, an internal assessment of the company is initiated and potential actions considered, as further described below.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,14% without policies	N/A	N/A	<p>We adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that we invest into comply with these norms.</p> <p>To assess compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, we monitor the share of investments in investee companies without processes and compliance mechanisms. This is done for all managed assets on an ongoing basis using an internally developed monitoring system.</p> <p>Issuers identified as outliers on the indicator, or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.</p>

12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	9,54% pay gap	N/A	N/A	<p>We consider the average unadjusted gender pay gap of investee companies, subject to data quality and availability, using an internally developed monitoring system.</p> <p>Issuers identified as outliers on the indicator, or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.</p>
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35% female directors/ total directors	N/A	N/A	<p>We consider the average ratio of female to male board members, expressed as a percentage of all board members in investee companies, subject to data quality and availability, using an internally developed monitoring system.</p> <p>Issuers identified as outliers on the indicator, or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.</p>
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0,00% involvement	N/A	N/A	<p>Our Nordea-branded investment strategies do not invest in companies that are involved in the production or development of cluster munitions, anti-personnel mines, biological weapons, chemical weapons, weapons with non-detectable fragments, incendiary and blinding laser weapons or depleted uranium munitions. Our Nordea-branded investment strategies do not invest in companies that are verified to be involved in the production of nuclear weapons.</p> <p>Our holdings are screened on an ongoing basis for exposure to controversial weapons. If such a holding is detected, we conduct further analysis which is presented to the</p>



						Responsible Investment Committee that decides how to proceed and any actions to take (e.g. engagement or exclusion).
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### Indicators applicable to investments in sovereigns and supnationals

Adverse sustainability indicator		Metric	Impact 2022	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Environmental</b>	15. GHG intensity	GHG intensity of investee countries	285,40 tCO <sub>2</sub> e/million EUR of owned GDP	N/A	N/A	We are a signatory to Net Zero Asset Managers Initiative and committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. We have an organisational-wide target to reduce the weighted average carbon intensity (WACI) of our investments; a set of portfolio-specific carbon footprint reduction targets, and a complementary target to ensure that individual companies are engaged to become 1.5°C aligned.

						<p>We have set a 2025 target to ensure that 80% of our top 200 largest carbon footprint contributors are on a Paris-aligned trajectory or else subject to engagement to become aligned.</p> <p>Investment products that have been classified as Article 8 or Article 9 under the SFDR may be subject to our Paris Aligned Fossil Fuel Policy. The Policy prohibits investments in fossil fuel companies that are not transitioning in line with the climate objectives of the Paris Agreement, while still enabling investments in companies that are leading the transition out of fossil fuels, and hence for who we forecast sufficient reductions in Scope 1,2 and 3 PAI indicators over time.</p> <p>We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator.</p>
<b>Social</b>	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	<p>Absolute number: 2 investee countries subject to violations</p> <p>Relative number: 2,55% investee countries subject to violations</p>	N/A	N/A	<p>We adhere to investment restrictions applicable further to sanctions imposed by the EU, UN and US.</p> <p>Sovereign bonds are also assessed on their Human Rights performance using our proprietary methodology, which is based on the United Nations Universal Declaration of Human Rights and other recognised standards.</p> <p>We will work to continuously enhance data coverage and calculation capabilities to enable monitoring of this indicator.</p>

## Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Fossil fuels</b>	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	Not applicable given our investment universe.
<b>Energy efficiency</b>	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	Not applicable given our investment universe.

## Other indicators for principal adverse impacts on sustainability factors

In addition to the indicators set out above, we consider the two additional indicators included in the tables here below, subject to data availability and quality.

Table 2

## Additional climate and other environment-related indicators

Adverse sustainability indicator	Metric	Impact 2022 (year n)	Impact year n-1	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>Indicators applicable to investments in investee companies</b>						
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
<b>Water, waste and material emissions</b>	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	0.97% exposed	N/A	N/A	We consider the exposure to areas of high water stress of investee companies by using an internally developed monitoring system.

						Issuers identified as outliers on the exposure to areas of high water stress indicator or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential actions, as further described below.
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Table 3

**Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters**

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability indicator	Metric	Impact 2022 (year n)	Impact (year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>Indicators applicable to investments in investee companies</b>						
<b>Human Rights</b>	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	2,57% identified cases on a weighted average basis	N/A	N/A	<p>We adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that we invest into comply with these norms.</p> <p>Our investments are subject to norm-based screening, which identifies investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises.</p> <p>If a company is identified in this screening process, an internal assessment of the company is initiated and potential actions considered, as further described below.</p>

We consider these additional indicators, subject to data availability and quality, using an internally developed monitoring system. Issuers identified as outliers on any of the indicators or which exhibit high adverse impact across several indicators may be subject to further analysis and the process described below. We do not use other indicators to identify and assess additional principal adverse impacts on a sustainability factor than the indicators set out above.

### **Description of policies to identify and prioritize principal adverse impacts on sustainability factors**

The SFDR defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impact (PAI) is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. The SFDR includes a set of specific indicators that can be used to measure an issuer's or investee company's negative impact on sustainability factors, to enable identification of the principal adverse impact of investments by a financial market participant.

We have implemented certain safeguards to ensure that our investments meet minimum ESG standards. When applicable, our ESG safeguards include application of exclusion lists and norm-based screening. By applying general screening criteria pre-investment, we aim to limit investing into companies with negative impact on sustainability factors. Additionally, to identify, manage and mitigate principal adverse impact where relevant, we integrate PAI considerations in our investment decision-making process. Identification of high negative impact on environmental and social factors results in further analysis and may be a driver for active ownership activities, including voting and engagement, as a means to mitigate that impact. High negative impact on sustainability factors may ultimately lead to divestment.

We consider PAI on entity level by measuring and monitoring the aggregated negative impact on sustainability indicators of our investments.<sup>9</sup>

Monitoring of principal adverse impact is subject to data availability and quality.

### **Selection of indicators**

Our Responsible Investment Policy describes the framework governing our approach to responsible investments and ESG/sustainability. Our ESG strategy identifies four core areas of interest:

- Climate
- Human rights
- Good corporate governance

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<sup>9</sup> It should be noted that the level of principal adverse impact consideration may differ depending on the financial product's strategy. We report on the principal adverse impact of all of our financial products, subject to data availability and quality.

- Biodiversity/water

These four core areas of interest have been identified as such due to the severe long-term consequences that adverse impact may have on these matters. We have developed certain ESG positions around these four core areas to describe the requirements that we have on investee companies in relation hereto. The PAI indicators that we consider are aligned with our ESG positions and are subject to data quality and availability. Our ESG positions are further described in our Responsible Investment Policy.

Considering principal adverse impact of investment decisions, i.e. the environmental and social impact of our activities, and sustainability risk, i.e. material negative impact of ESG issues on the value of investments, captures the full scope of the double materiality concept. Information on how we integrate sustainability risk in the investment decision-making process is available [here](#).

### Identification and assessment of PAI

Principal adverse impact assessment is integrated in our active ownership and engagement policies and processes, and can be summarised as set out below.

As a starting point, we apply norm-based screening filters to identify companies that are allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards and anti-corruption. These filters identify impact relating to some of the PAI indicators. To identify impact of our investment decisions across all the mandatory and the additional PAI indicators that we have chosen to consider, we have developed a proprietary PAI monitoring system (PAI engine).

The PAI engine is based on data acquired from third-party providers and investee companies. By ranking the performance of companies across each indicator, we aim to identify each company's negative impact on climate and social issues as defined by the PAI metrics, both intrinsically and compared to its peers. We measure the overall exposure on entity level as well as the impact on product level, subject to data availability.

Companies identified by the PAI engine as outliers on specific indicators or that exhibit high adverse impact across several indicators, are analysed further by our Responsible Investment team and a recommendation for action is made to our Responsible Investment Committee (RIC). RIC is presented with an update on the identified company on a quarterly basis and may, based on this, decide on the appropriate action to be taken in each case.<sup>10</sup>

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<sup>10</sup> Descriptions of actions taken under our active ownership and engagement policies and processes are referring to actions taken on behalf of the funds managed by Nordea Investment Funds S.A. and Nordea Funds Ltd. Depending on specific client requests, such actions may also be taken on behalf of clients to whom Nordea Investment Management AB provide portfolio management services, subject to the individually negotiated agreements.

The range of possible actions consists of the following:

**No action:** The PAI indicator level of the investee company is deemed acceptable or judged not to reflect the actual ongoing performance of the company, and no further action is deemed necessary. The investee company will continue to be assessed on an ongoing basis.

**Engagement:** Companies that have been flagged as having a high adverse impact on one or across several PAI indicators may be identified as candidate for an engagement case. Engagement may also be initiated due to other reasons such as the issuer's overall PAI performance, material exposure to one of our four core areas of interest (listed above), identification in norms-based screening, or low data coverage for the investee company compared to benchmark. Reasons for, and scope of, engagement activities is further described below. The Responsible Investment team engages with the investee company and tracks performance after the engagement, based on relevant engagement key performance indicators. Our engagement with investee companies is further described in the "Engagement policies" section below.

**Exclusion:** The investee company is deemed not eligible for investments across our portfolios, and is added to our exclusion list. Addition to the exclusion list may be due to the identification of high negative adverse impact on sustainability factors in the PAI engine as described above. It may also be due to the investee company's sector being deemed incompatible with our ESG strategy. Exclusion is generally considered as the option of last resort as we believe that engagement is more efficient to positively influence the issuer to move in the right direction. Our exclusion list is available on [Nordea.com](https://www.nordea.com).

In deciding the appropriate action, the RIC considers, among other things, the severity and scope of individual adverse impacts, and the probability of occurrence and severity of adverse impacts, including their potentially irremediable characteristics.

Our active ownership efforts also include proxy voting, attending annual general meetings, contributing to the development of industry ESG standards and the filing of shareholder resolutions. We vote in as many annual general meetings as practically possible, and prioritise votes related to the four core areas of interest defined in our ESG strategy (listed above) and further described in the "Engagement policies" section below.

Details of our voting activities via the fund companies can be accessed via our voting portal.

### **Margin of error with our methodologies**

The methodology to identify PAI is always subject to data availability and quality. We are reliant on the quality of data received from investee companies and third-party data providers. To the extent possible, data reported by investee companies is prioritised. This is done in order to minimise the reliance on third-party estimations, contributing to improving the overall quality of the data we use as input in our investment and active ownership processes.

Where reported data is not available or of adequate quality, we use proxy data provided by third-party data providers.

A limitation in terms of data availability is that we may not be able to gather the same level of information about the impact of indirect investments, such as fund-of-fund investments and certain derivatives. The impact reported in Table 1 above does not include impact of certain holdings for which data is not available. Another limitation is that the reported impact does not include an average data set of January-May 2022, due to adjustments to methodology and data availability. We continuously strive to improve data coverage.

**Governance in relation to policies**

Nordea Investment Management AB's Senior Executive Management has overall responsibility to define the approach to ESG/sustainability. The daily responsibility to implement our Responsible Investment Policy and the active ownership and engagement framework, lies with Nordea Investment Management AB's Responsible Investment (RI) team.

Nordea Investment Management AB's responsible investment, active ownership and engagement framework is updated at least on an annual basis.

Information on engagement policies is set out on [Nordea.com](https://www.nordea.com).

**Data sources**

Our PAI engine applies a range of data, including values, scores and weights sourced from investee companies and several third-party data providers. For a given indicator, multiple data sources may be used. For each indicator data source, third-party data providers are selected based on data quality assessments. The indicator importance is prioritised according to parameters reviewed and maintained by ESG analysts in Nordea Investment Management AB's Responsible Investment team. These parameters take into account various aspects that may impact the performance of the engine, including data quality, data freshness and history, data coverage, aspects of the methodology of the data providers, the materiality of the indicator's subject matter, and divergence of indicator values.

We apply various measures to control the data quality, both third-party and internal. The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes.

More information about the external data sources used is available upon request.

**Engagement policies**

As described above, we undertake a range of engagement activities with investee companies and issuers. The purpose is to influence and encourage improved ESG practices, enhance sustainable long-term financial performance and to seek to mitigate adverse impact on sustainability factors.



Nordea Investment Management AB has adopted an engagement policy under the Shareholder Rights Directive II<sup>11</sup>. The purpose of the engagement policy is to describe how we ensure effective and sustainable shareholder engagement and protect shareholder's rights.

Nordea Investment Management's Engagement Policy outlines the general principles for how shareholder engagement is integrated in investment strategies and sets out the different engagement activities that is carried out on behalf of clients where relevant. The Engagement Policy elaborates on general principles that Nordea Investment Management has established for positively influencing investee companies, including improve their corporate governance practices as well as ensuring a more long-term approach. It should however be noted that the application of Nordea Investment Management's Engagement Policy is subject to the individual agreements and negotiated investment guidelines between Nordea Investment Management and its clients. The Engagement Policy is governed by Nordea Investment Management AB and approved by its board, further to recommendation by the Corporate Governance Committee. The Engagement Policy is reviewed on an annual basis and was approved in its current form in 2022.

The scope of our engagement activities include three main categories: thematic, norms and investment-led. These engagement types may overlap and be applied to a company simultaneously.

**Thematic engagements** may be undertaken either by us alone or in collaboration with other asset managers and asset owners. Collaborative engagements can take place within the framework of industry initiatives such as Climate Action 100+, International Sustainability Standards Board (ISSB), The United Nations Principles for Responsible Investment (PRI), CDP or Investor Alliance for Human Rights, or through ad hoc initiatives. We will in some cases initiate and lead such ad hoc investor alliances. Our thematic engagements will typically concern issues under one of the core areas of interest identified in our ESG strategy, as described above.

**Norms engagements** may be triggered by observed norms breaches through the norms-based screening process, or by high negative impact on PAI indicators.

**Investment-led engagements** may be initiated and executed at the individual investment strategy level. Portfolio managers and the Responsible Investment team may engage proactively with companies when material ESG risks that may not be adequately managed are observed. Engagement may also be undertaken to advance certain themes related to the UN Sustainable Development Goals, e.g. human rights and climate change.

We will monitor and review the principal adverse impact of our holdings, as described above, on a yearly basis and adapt targets and measures to mitigate impact as required.

Our voting and engagement activities aim to mitigate principal adverse impact over time. Investee companies identified as a candidate for an engagement case may during the engagement be asked to identify actions taken to reduce emissions or to make certain commitments to measure and report emissions. To ensure that the company is responsive and makes progress, the Responsible Investment team continues to engage with the investee company and tracks performance after the engagement, based

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<sup>11</sup> Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (Shareholder Rights Directive II).

on relevant engagement KPIs. If the investee company does not meet the set KPIs in the relevant timeframe, the case may be escalated and additional actions taken. As a last resort, we may consider to divest.

For more information, please refer to the Engagement Policy and SRD II Disclosure Report\_of Nordea Investment Management Ab on Nordea.com.

Our Responsible Investment Policy and active ownership framework sets out additional detail of our engagement with investee companies.

## **References to international standards**

Our ambition is that the companies that we invest in comply with the international conventions and norms that we adhere to. These include, but are not limited to those listed below with the respective PAI indicator(s) used to measure adherence to the respective standards:

- UN Global Compact
  - PAI 1.10.1 UNGC breaches
- OECD Guidelines for Multinational Enterprises
  - PAI 1.10.1 UNGC breaches
  - PAI 1.11.1 UNGC policy
- UN Guiding Principles on Business and Human Rights
  - PAI 1.10.1 UNGC breaches
  - PAI 1.11.1 UNGC policy
- Universal Declaration of Human Rights
  - PAI 1.10.1 UNGC breaches
- Children's Rights and Business Principles
  - PAI 1.10.1 UNGC breaches
- ILO conventions on labour standards
  - PAI 1.10.1 UNGC breaches
- Rio Declaration on Environment and Development
  - PAI 1.10.1 UNGC breaches
- UN Convention on Corruption
  - PAI 1.10.1 UNGC breaches

- Convention on Cluster Munitions
  - PAI 1.14.1 Controversial weapons

We have dedicated resources within the Responsible Investment team and systems to enable measurement of the adherence to these international conventions and norms. To the extent possible, data reported by companies, regulatory authorities and/or non-governmental organisations are prioritised over data from data providers' estimation models. For some indicators where availability of data is poor, we use proxy data provided by third-party data providers to enable assessment.

External data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes.

### **Paris Agreement**

As a signatory to Net Zero Asset Managers Initiative we are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. Our short-and mid-term targets work towards this overall ambition, through complementary top-down and bottom-up approaches: from an organisational-wide target to reduce the weighted average carbon intensity (WACI) of investments; a set of portfolio-specific carbon footprint reduction targets, and a complementary target to ensure individual companies are engaged to become 1.5°C aligned. We have specifically set a 2025 target to ensure that 80% of our top 200 largest carbon footprint contributors are on a Paris-aligned trajectory, or else subject to engagement to become aligned.

To assess the alignment profile of companies, we have developed an in-house alignment assessment tool which complements PAI indicators by evaluating a set of forward looking alignment criteria as defined by the PAII Net Zero Investment Framework. Key data sources include Transition Pathway Initiative, CA100+, Science-Based Targets Initiative and CDP.

In addition, our investment products classified as Article 8 or Article 9 under the SFDR may be subject to our Paris Aligned Fossil Fuel Policy which prohibits investments in fossil fuel companies that are not transitioning in line with the climate objectives of the Paris Agreement, while still enabling investments in companies that are leading the transition out of fossil fuels, and hence for which we forecast sufficient reductions in Scope 1,2 and 3 PAI indicators over time. Please refer to the Fossil Fuel Policy\_for more information.

### **Historical comparison**

A historical comparison of the period reported on with the previous reported period will be made as of 2024.