EUROPEAN SRI TRANSPARENCY CODE

Statement of Commitment
Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Nordea Asset Management. We became signatories of the Principles for Responsible Investment (PRI) in 2007 and welcome the European SRI Transparency Code.

This is our first statement of commitment and covers the period 01.09.2017 to 31.08.2018. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our web site.

Compliance with the Transparency Code
Nordea Asset Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Nordea Asset Management meets the full recommendations of the European SRI Transparency Code.

31.08.2017
1) **General Information**

   a. **Provide the name of the fund management company managing the fund(s) to which this Code applies.**

      Nordea Investment Funds S.A. (NIFSA) is the management company of the Nordea 1, SICAV, of which the Nordea 1 – Emerging Stars Equity Fund is a registered sub-fund.

      Nordea Investment Management AB (NIM AB) is the Investment Manager of the Nordea 1 – Emerging Stars Equity Fund. Nordea Asset Management is an organisational division of the Nordea Group and consists of several legal companies including NIMAB and NIFSA.

   b. **Describe the general approach of the fund management company with regards to how it takes environmental, social and governance (ESG) criteria into consideration.**

      Responsible Investments has become a global phenomenon that has moved beyond just an ethical approach to investing, to recognition in the financial community that environmental, social and governance (ESG) factors can play a material role in determining risk and return. Thus, incorporating ESG factors is part of investors’ fiduciary duty to their clients. Today, ESG, or “sustainability”, is a key cornerstone of how businesses conduct themselves in relation to their stakeholders and with respect to the products and services they provide.

      It is our vision to be a leading European provider of Responsible Investment solutions. It is our mission to create responsible returns. This will be achieved through analysis, dialogue and engagements in selected companies and integration of ESG issues into our investment processes and our product development. We believe that we can add value to our clients by actively considering ESG in our analysis, investment decisions, and active ownership activities.

      As a responsible asset manager, Nordea aims to invest in companies that deliver long-term, sustainable value and is a signatory to the United Nation’s Principles for Responsible Investments (UNPRI). In 2007 Nordea Asset Management (NAM) signed the UNPRI as one of the first major asset managers in the Nordic market. By signing the UNPRI, NAM committed to incorporate ESG issues into investment analysis, decision-making processes and ownership policies and practices.

      Nordea Asset Management aims to incorporate ESG issues into all of our investment processes, across all asset classes. By combining financial performance with responsibility we strive to offer clients responsible solutions. Responsible Investment (RI) is the primary term used for the inclusion of Environmental, Social and Governance (ESG) criteria in the investment process. The procedures apply to all actively managed funds managed by NAM. Nordea also offers funds that apply enhanced ESG based criteria through the STARS family of funds.

      | Active ownership, ESG integration and norm based screening for all actively managed Nordea funds |
      | Sector based screening |
      | Positive screening |
      | Excludes |
      | Includes |
i. **Is the fund management company approach towards ESG criteria part of its corporate social responsibility approach? Yes/No. If yes, insert a link to the company’s CSR policy. (If not, please explain why.)**

Sustainability at Nordea is based on the ten principles of the UN Global Compact, of which we are a signatory. Nordea also signed the UNEP Finance Initiative in 2001, the Equator Principals in 2007 and the Principles for Responsible Investment in 2007.

Nordea publishes a Sustainability Report annually. The report is produced in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and is verified by the external assurance provider PwC.


ii. **Has the fund management company signed the Principles for Responsible Investment? If yes, please insert the link to the answer to the PRI questionnaire. (If not, please explain why.)**

Nordea Asset Management signed the UNPRI in January 2007.


iii. **Is the fund management company a signatory or a member of other international and/or national initiatives supporting SRI practices? Please answer if you deem this information to be useful.**

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

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

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

- Carbon Disclosure Project
- Sustainable Investment Forums (SIFs)
- Water Disclosure Project
- UNEP FI
- Extractive Industries Transparency Initiative (EITI)
- The Institutional Investor Group on Climate Change (IIGCC)
- Access to Medicines Index
- The Sustainability Accounting Standards Board (SASB)
- The Corporate Human Rights Benchmark (CHRBB)
- Sustainable Stock Exchanges’ initiative (SSE)

Further details about the above initiatives can be found via the below link: https://www.nordea.com/en/responsibility/sustainable-finance/initiatives/

iv. Has the fund management company established an ESG engagement policy? If yes, describe the policy by outlining its objectives and its methodology and/or, if it is public, insert a link to the policy. (If not, please explain why.)

Nordea believes in positive means of engagement where we actively contribute to improvement of company’s management of key environmental, social and governance practices. We also believe that exclusion seldom is constructive and long-term oriented. Direct divesting from companies with poor management practices is used as a last resort. We exclude companies when violations are severe and when companies are unwilling to change or improve their behaviour.

We approach to change. Nordea initiates engagement dialogues to change behaviour and to enhance business performance by addressing the business practices used by companies we invest in.

Our RI Policy includes the description of our approach to Stewardship and Active Ownership, please refer to the link below: https://www.nordea.com/Images/3399083/RI_Policy_JAN2016_3.pdf

There are three different levels of engagements conducted by the RI team; 1) Norm-based engagements (reactive engagements), 2) Materiality based engagements (proactive), 3) Theme engagements (focus areas).

For further information about engagements, please refer to the below link: https://www.nordea.com/en/responsibility/sustainable-finance/engagement/

v. Has the fund management company established a voting policy? If yes, describe the policy by outlining its objectives and its methodology and/or, if it is public, insert a link to the policy. (If not, please explain why.)

Nordea’s policy and principles defines how we shall act in corporate governance-related matters and sets the rules for which strategies apply and how the voting of the shares owned by the funds shall take place. A Corporate Governance Committee has been set up in order to ensure appropriate handling of the corporate-governance matters, and the operational responsibility rests with the Corporate Governance Function (outside the Responsible Investments organization). Nordea attends annual general meetings/extraordinary general meetings (AGM/EGMs) and proxy votes. We disclose general statistics about our CG activities in our RI reporting and in our PRI reporting. We are able to disclose detailed voting practices if needed. Our policy and principles are published for anyone to examine.

We expect full and transparent disclosure from companies to enable well-informed investment decisions and effective exercise of shareholder rights and responsibilities as part of the company’s system of governance.

Companies must disclose operational, financial and governance information in a timely, complete and comprehensible manner, and in accordance with International Financial Reporting Standards (IFRS) or other similar standards. This also applies to
environmental, social and ethical issues that are of strategic relevance to the company or could have a material impact on the company’s long-term performance.

We expect companies to make available to shareholders complete materials for general meetings sufficiently in advance of the meeting. This enables well-informed voting decisions. Companies should enable absentee voting, and take account of all votes, whether cast electronically or other means or in person, in their formal voting results.

We support the principle of ‘one share, one vote’, which accords equal rights to all shareholders. Where a company, for whatever reasons, issues shares with differing rights, the company must define these rights transparently and clearly explain why rights are not equal.

Nordea aims to flag companies who adopt opaque executive pay practices that might pose questions over the long-term incentives of executives as compared to company performance/share performance. Furthermore, Nordea advocates gender balance on boards and actively pursue the matter in the nomination committees on which we are represented and in other forums.

With the exception of Norway (which has binding legislation on the matter) none of the Nordic countries have an acceptable balance on corporate boards, and the problem is even more extensive in many continental European countries. During 2016 we have attended more than 100 annual general meetings in the Nordics, and voted by proxy in more than 300 companies on thousands of proposals. Our goal is to increase our voting level in the coming years.

As before, we engage with companies on a range of topics, including ESG issues, remuneration programmes and capital structure. In 2016, we joined more than 30 nomination committees, accepting almost all requests.

Within our pooled fund vehicles Nordea makes active use of its rights as a shareholder. We publish our voting record and explain our voting decisions (upon request). The Corporate Governance function and the RI team work closely and representatives from RI are coordinating the work between the two functions – to make sure that the work is aligned.

Please find below the link to Nordea’s CG principles:


vi. **Describe how the fund management company or the group contributes to the promotion and the development of SRI**

Nordea Asset Management takes an active part in a number of international initiatives that are promoting SRI, e.g PRI, UNEP FI. Please see the question 1.b iii.

Sustainability is one of the themes that are regularly included in Nordea Fund Magazines (produced in 4 Nordic languages). Please find the Swedish version here:

http://nordeafondmagasinet.se/

Beyond Nordea Asset Management, on the bank level, in June 2016 Nordea has established a new team named Sustainable Finance, responsible for driving the coordination, communication and strategy within responsible investments and
sustainable finance of the business units within Wealth Management and align activities with the rest of Nordea. This will enable Nordea to work across the value chain, with higher ambitions and a faster pace.

Sasja Beslik, the head of Sustainable Finance unit, is an active promoter of SRI recognized globally. He has received a number of awards recognizing his efforts, read here about the latest:

http://sustainablefinance.nordea.com/articles/sasja-beslik-receives-sustainability-leader-award

Sasja Beslik’s Twitter account with 121 000+ followers is an important tool for communication and promotion of sustainable finance https://twitter.com/sasjabeslik http://sustainablefinance.nordea.com – is an especially dedicated webpage for promotion of our view and work on sustainable finance. In 2017 we have launched Nordea Sustainable Finance monthly newsletter.

We produce films about our work on responsible investments. We promote these films on various channels mainly targeting our clients to educate them about SRI. For example: Convenient Choices https://www.youtube.com/watch?v=XPeK1e_epk Skandinavian Climate Changes https://www.youtube.com/watch?v=6BbtWzosx0

Nordea Private Banking has featured Sustainable Finance several times in their podcasts: For example, https://soundcloud.com/user-682926744/ansvarsfulla-investeringar-i-praktiken


For further information, please refer to the below links:

**Annual RI report:**

**Annual Sustainability Report:**

**Nordea’s CEO talks about his passion for customers and sustainability:**

**Interview with Sasja Beslik, Head of Sustainable Finance at Nordea:**

c. Describe/List your SRI products and the specific resources allocated to your SRI activities.
ESG analysis seeks to identify companies with well-managed ESG profiles, in managing their risks, opportunities and/or product/service offering. The ESG analysis provides insight to a company’s overall governance structure and management of key issues within Environmental, Social, Business ethics and Governance aspects as well as if and how the company develops sustainable products and services in order to strengthen the overall development of their business activities.

Our “Stars” product range with positive screening should not be considered as a filter or layer, it is instead a constituent of the investment process. Our RI team of analysts follows an approach that is similar to that of a financial analyst. The team looks at relevant ESG criteria for companies whereby the selection of the criteria might differ from sector to country or even region. After the analysis is finalised, the RI team gives a rating on the company.

There is a dedicated Responsible Investment team at Nordea whose responsibility is to facilitate the implementation of our RI strategy. The team, comprised of 9 members have extensive experience within the ESG area.

i. Briefly describe the SRI fund range.
Nordea offers a range of actively managed sustainable ESG centred solutions Through the following funds:

Luxembourg domiciled funds (part of the Nordea 1, SICAV):

- Nordea 1 – Global Stars Equity Fund – global developed market
  ISIN codes: LU0985319804 (BI USD), LU0985320562 (BP USD)
  Fund launch date: 17/05/2016
- Nordea 1 – Emerging Stars Equity Fund – global emerging markets
  ISIN codes: LU0602539354 (BI USD), LU0602539602 (BP USD)
  Fund launch date: 15/04/2011
- Nordea 1 – Nordic Stars Equity Fund – Nordic countries
  ISIN codes: LU1079987134 (BI EUR), LU1079987720 (BP EUR)

Swedish Domiciled funds:

- Nordea Swedish Stars Equity Fund – Sweden
  ISIN code: SE0000625238
  Fund launch date: 15/04/2011
- Nordea Swedish Bond Stars – Sweden
  ISIN code: SE0000427817

d. Describe the content, frequency and resources allocated/used by the fund management company to inform investors about the ESG criteria taken into account.

As standardized reporting, Nordea issues an Annual Responsible Investments report, were we
report on our engagement activities, which includes many examples and particular topics for our STARS funds range. In 2015, we began publishing annual ESG scorecards for our STARS product range. This includes the ESG rating distribution of the funds, top 10 holdings and corresponding ESG ratings, engagement activities and the carbon footprint. 

The Responsible Investments Annual Reports are publicly available via our website: https://www.nordea.com/en/responsibility/sustainable-finance/reports/. We also annually report on the implementation of the PRI principles in our investment activities.

Additional information on our STARS fund range can also be found through our STARS microsite: http://www.nordea.lu/Investment%2bFunds/Funds/Nordea%2bSTARS%2boffering/1748522.html?vanity=www.nordea.lu/stars

In the monthly report, we can add different ESG elements. We would like to discuss this in detail with the client based on their needs.

e. Provide the name of the fund(s) to which this Code applies and its (their) main characteristics.

Nordea 1 – Emerging Stars Equity Fund. The fund aims to achieve long-term capital growth by investing mainly in a diversified portfolio of equity or Equities Related Securities of companies, which are domiciled or exercise the predominant part of their economic activity in the Emerging Markets. Furthermore, the aim is to earn excess return through stock selection and by actively incorporating an ESG based analysis as part of the investment process.

i. Describe the main characteristics of the fund(s): geographical focus, asset class, SRI strategy used (use the classification provided by EUROSIF/EFAMA -> see the appendix for EUROSIF definitions).

The Nordea 1 – Emerging Stars Equity Fund is a Luxembourg domiciled SICAV fund. The risk category is set to 6 out of 7. The fund considers all of the below mentioned classification outlined by EUROSIF:

- Best-in-Class Investment Selection
- Norms-based Screening
- Exclusion of Holdings from Investment Universe
- Integration of ESG Factors in Financial Analysis
- Engagement and Voting on Sustainability Matters

The investment universe consist of approximately 1,000 companies and includes both companies domiciled in Emerging Markets and also other companies domiciled outside of Emerging Markets that have 50% or more of their earnings and/or assets in Emerging Markets.

Emerging Stars is managed with an implicit Environmental, Social and Governance
(ESG) evaluation and according to a fundamental investment process in order to arrive at a final portfolio of around 40-60 stocks.

f. What is (are) this (these) fund(s) trying to achieve through taking into account ESG criteria? For instance, financing a specific sector, reducing risks, support better CSR practices, develop new value creation opportunities, other objectives.

The Nordea 1 – Emerging Stars Equity Fund integrates an active ESG (Environmental, Social Responsible and Governance) overlay as a risk management tool, but this is not the main driver for investment decisions.

As such, the fund does not approach ESG from an ethical perspective but from a business sustainability perspective. Our process – which uses the stakeholder approach – considers whether a company’s ESG profile could have a negative material impact on its ability to generate sustainable shareholder value.

i. If part of the fund(s) assets is invested in unlisted organisations with high social, community or impact investing relevance, please specify.

N.A.

2) Approach to ESG evaluation of companies (and countries)

a. What fundamental principles underlie the ESG research methodology? Describe the principles, standards or norms on which the ESG analysis is based for each of the environmental, social/societal and governance dimensions. Include brief comments about how stakeholders are consulted, as appropriate.
All of Nordea’s actively managed funds undergo annual portfolio screenings to identify companies that are in violation of international norms regarding environmental protection, human rights, labour standards and business ethics. Nordea also receives RI Alerts from ISS-Ethix on an ongoing basis in case there are changes to the assessment of a company in their universe. Nordea’s Responsible Investment Policy applies to our actively managed products. We base our responsible investment policy and strategy on international conventions and norms, including:

- The United Nations Global Compact,
- The OECD Principles of Corporate Governance,
- The OECD Guidelines for Multinational Enterprises,
- The Universal Declaration of Human Rights,
- The UN Guiding Principles on Business and Human Rights,
- The Children’s Rights and Business Principles,
- The ILO conventions on labour standards,
- The Rio Declaration on Environment and Development,
- The UN Convention on Corruption,
- The Convention on Cluster Munitions

**Positions**

We set clear expectations on corporate ESG management and performance in our investments and ownership activities and communicate these expectations to companies we are invested in and other stakeholders. As a responsible investor we expect that investee companies operate in line with our commitment to the PRI and in observance of existing laws and regulations, international humanitarian law and international conventions, as well as standards for sound environmental, social and governance performance.

**We have clearly defined exclusion positions within the following areas:**

**Illegal and Nuclear Weapons**

Nordea sees illegal and nuclear weapons and their potential use as controversial, given their discriminate effect on human populations. As of 2010 Nordea AM does not invest in companies which are involved in the production of nuclear weapons or illegal weapons such as cluster munitions and anti-personal mines.

**Soft Commodities**

In 2012 Nordea decided that it will no longer offer nor recommend wrapped investment products to household customers where basic food commodities, such as wheat, coffee or sugar, are included in underlying assets as international studies indicate that excessive financial speculation contributes to increasing volatility and record food prices.

The decision does not apply to corporate customers with commercial interest related to soft-commodities. Nordea will provide corporate customers with service enabling them to commercially trade and hedge their commercial risks.

**Coal**

In March 2015 Nordea AM decided to exclude companies with large and sustained exposure
to thermal mining, the most environmentally compromising fossil fuel resource and with 75% of revenues derived from sales of coal products and do not have a meaningful opportunity to diversify from coal.

**Sanctions**

Nordea AM does not invest in sovereign bonds issued by governments which are subject to broad sanctions and fail to respect human rights.


**b. What internal and external resources are used to carry out this research? Describe the general information used to carry out the ESG research: internal analysis, ESG rating agencies, other external sources of information.**

In order to facilitate the implementation of Nordea’s RI Policy, there is a dedicated Responsible Investments (RI) team which is comprised of 8 experienced professionals. The team works together from offices in Stockholm and Copenhagen. Each member of the team has a specific area of responsibility, covering: ESG research, active ownership, product development, stakeholder management and communication. The team has won several awards.

In 2010, Nordea Asset Management’s Responsible Investment Team was awarded by Financial Hearings as Best team within the RI industry. The European magazine Capital Finance International (CFI) awarded Nordea Asset Management with an international award for the best ESG (environmental, social and governance) investment process in Europe, both in 2014, 2015 and 2016. The magazine concludes “Our winner does all possible to conduct business as profitably as possible but with integrity”. Furthermore, “Nordea Asset Management has developed a winning investment formula that incorporates the full spectrum of environmental, social and governance (ESG) parameters in all actively managed fund products”.

Environmental, Social and Governance (ESG) data has been incorporated into our investment management system and are available to all our investment professionals. This means that all Portfolio Managers can access this information, which we believe could be an additional factor when assessing risk in an investment portfolio. There is also a database where rating and company meeting information can be shared between the Portfolio Managers and ESG analysts.

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

We underpin our approach with externally sourced ESG research and ratings. This provides coverage of over 4,000 companies globally both in terms of their practices and tracking controversial issues.

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

The team is not dependent on any sole provider and any of our partners can be replaced if we feel a better service can be achieved elsewhere. All our investment boutiques have been
introduced to the MSCI ESG data and their scoring system. MSCI ESG Research uses a best-in-class (AAA), worst-in-class (CCC) approach when they rate companies, i.e. only appropriate when comparing companies within a specific industry. However, they also have an absolute approach called the weighted average score (0-10), which can be used to compare companies across sectors. They also have access to our proprietary ESG research.

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

Even though ESG integration in equity has led the way so far, Nordea is now taking the next step and integrating ESG across all asset classes, including fixed income products such as corporate bonds, and sovereign bonds.

Some of the other most used partners are:
- ISS-Ethix
- Oekom Research
- Sustainalytics
- RepRisk
- Maplecroft
- Bloomberg
- Thomson Reuters

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

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

In summary, we are combining the traditional financial analysis with an ESG lens in order to make more informed investment decisions. We do not narrow down our investment universe, but utilise this additional source of data as a risk evaluation measure.

c. Which ESG analysis criteria are used? Indicate what the main criteria for each of the environmental, social/societal and governance dimensions are. Specify if these criteria differ according to sectors, the geographical zones, the type of company, etc. If appropriate, provide an example.

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

- Overall governance structure regarding management of relevant ESG aspects
• How companies address and manage the most material ESG risks and opportunities with respect to their key stakeholders

• How companies position their products or services in relation to broader sustainability megatrends

1. Identify key issues

Company specific key issues are based on sector key issues combined with company business environment related to several aspects. This process aims to extract those key issues that are material to the company and that are important to address from an ESG assessment perspective.

Sector key issues are based on several information sources and are decided by the Responsible Investment team. Each sector gets its own set of key issues which are gathered in a document which is continuously maintained. The underlying idea is that the nature of the sector implies different impacts on ESG systems and imposes different levels of risk and opportunities.

2. Conduct research: Risks & Opportunities

The desktop research starts when a company, sector or topic has been identified.

Selected external research providers provide the in-house analyst with individual company information in all fields of relevance for assessing the extent to which a company is mitigating the most material risks and capturing opportunities.

The in-house analysts have access to a range of sources, such as:

• External ESG research providers

• Brokers with specialized sustainability services

• Non-governmental organizations

• Relevant conferences

• Company websites, annual and sustainability reports

• News sources

3. Analyse Information Gathered & Meet Companies

Company meetings are conducted when the public company information is lacking information regarding identified key issues and/or governance structure. The RI team initiates the meeting by sending a meeting request with the topic specified to Investor Relations and/or to the company Sustainability / Corporate Social Responsibility representative, where investor relation should always be notified of the contact taken. Responsible Investment analysts and Portfolio Managers are invited and informed of the meeting. The meeting should be well prepared and facts, best practice and international guidelines should be checked as reference for the discussion. The Responsible Investments team informs the company of topics for discussion before the meeting.
Meeting minutes and additional communication with the company are documented and recorded in the company file and in our internal research platform shared across investment boutiques.

4. Summarise Information & Rate Companies

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

d. What is your ESG evaluation methodology (how the investment universe is built, rating system etc.)?

i. Describe the ESG evaluation system and how it is built by explaining how the various ESG criteria are articulated

The ESG rating is based on the performance of the company in relation to the identified key issues. Each company is ranked as an A, B or C company.

The inherent ESG risk profile of the company is also considered in setting the rating. Depending on the activity level the company will also get a trend; positive, stable or negative. Analysts and Portfolio Managers will be provided with the company ESG ratings enabling them to systematically incorporate this information into their investment process.

The ESG Scorecard summarises the analysis and provides a final rating. The scorecard identifies key issues (Business model, Governance quality, Business Ethics, Environment and Social), where each pillar is rated and where each pillar is assigned a level of risk exposure, financial impact; reputational risk; and weighting.

The ESG Company Report is used for in-depth analysis. Information presented in the company report is more comprehensive and includes relevant data and information for the rating. Engagement topics are identified through the assessment. The engagement topic can relate to one particular company, to a sector or to a group of companies.
ESG Scorecard

The assessment of five pillars (business model, governance, business ethics, environment, social) are translated into a final rating, where each pillar is assessed on the likely impact and magnitude on financial indicators, which is incorporated by the investment team where applicable.

Furthermore, the team is seeking high performance in high weight areas (in line with the STARS philosophy), as well as having a low weight in the poor performing areas.

ESG Scorecard Pillars

1. **Business model**
   - The way in which sustainability themes (e.g. climate change, natural resource depletion, demographics, globalization, digitalisation, etc.) impact the company business model (e.g. product/services and geographical presence) and value chain.
   - In what way does business model, product and/or RnD contribute to overarching sustainability themes (e.g. the UN backed Sustainable Development Goals. Link between ESG aspects and business strategy, company value drivers or competitive adv. / opportunities

2. **Governance**
   A. Corporate Governance
      - Independence and effectiveness of Board
      - Voting Rights/ Ownership
      - Executive Remuneration
   B. Sustainability Governance
      - Level of Board commitment
      - Comprehensiveness of policy or strategy in place to mitigate
relevant ESG risks/opportunities

- Robustness of resources committed to manage ESG risks/opportunities
- Quality of disclosure on relevant ESG risks/opportunities
- ESG targets and initiatives put in place and the performance of these

3. Business Ethics / Environment and Social pillars

- The extent to which company has identified and addressed relevant key issues under the Business Ethics / Environment / Social pillars. Exposure measured against company approach and level of
  - Acknowledgement
  - Policy
  - Management Systems
  - Performance – i.e. extent to which KPIs and ESG targets are set and related performance
  - Level of transparency on how key issues are managed and performance on these

ii. If appropriate, provide an example.

N.A.

e. How frequently is the ESG evaluation reviewed? Please briefly explain the methodology update process and who is involved.

The ESG team updates the company ratings every 12 to 18 months. Between the analysis updates, the analysts follow the news flow on the companies and continuously review alerts from different service providers.

The update process follows the same methodology as first ESG analysis and includes a review of major changes in the risk profile of the companies and risk management progress of the relevant issues.

i. If appropriate, explain if the methodology has changed in the past 12 months and the nature of the key changes.

The analysis methodology has not changed.

3) Fund management process

a. How do you take into account ESG criteria when defining the universe of eligible investments?

i. If appropriate, describe the eligibility threshold and the resulting level of selectivity.

The Nordea 1 - Emerging Stars Equity Fund, the ESG analysis is done “bottom-up” and focuses on how the company operates with stakeholders, particularly on potential
conflict areas. For each sector we have identified the material issues, which we put emphasis on in our evaluation of the companies. As a result of the analysis we assign a score to the company (A, B or C), where the C-rated companies do not live up to our standards and are non-investable for the fund.

b. **How do you take ESG criteria into account when building the portfolio? Describe how you link ESG selection and ESG analysis with portfolio management, and more precisely, how the results of the analysis of each of the dimensions (E, S and G) are integrated into the investment/divestment process. If applicable, state where you provide information on divestments occurred in the past year on the basis of ESG criteria? If appropriate, explain how potential ESG weightings are defined and describe your treatment of companies that are not subject to an ESG analysis.**

**Nordea 1 – Emerging Stars Equity Fund**

We believe that the key drivers for creating shareholder value are global structural changes, whose implications act as catalysts affecting the long-term potential earnings growth of companies. In our view, the opportunity to add value exists because the markets often either ineffectively evaluate or overlook these implications. We also believe that the implications of ESG are underestimated and will have significant impact on who will become the future winners in all sectors. By applying this knowledge into our investment process, we can identify the companies best-positioned to benefit from structural changes to capture the positive alpha.

The ESG filter is applied to companies that have presented key industry success factors. Each company is analysed by the RI team that assigns a rating, that goes from A to C, A being the best. And within each letter there are 3 different levels, i.e. A-, A and A+. The only restriction that the investment team has is the prohibition of investing in C-rated companies. However, if the company has an A or B rating it does not mean it will be part of the portfolio, because this still depends on the attractiveness of the business and the valuation.

With the rating we can ensure that the company can develop their business in a sustainable way, but this has to be combined with strong fundamentals and outlook.

Regarding if an A+ or B- rating makes a difference for the investment team, this will depend from case to case but in general terms it does have an impact.

Keeping in mind that after the ESG analysts assign the rating the portfolio manager and/or investment analyst still ash to do his valuation assessment, normally, lower rated stock should offer a higher risk premia. The PM would normally require a company that is exposed to higher levels of ESG risk to have a higher expected return potential (i.e. a bigger differential between the stock price and the team’s fair value assessment of the company). As such, what you should normally expect is that companies with higher rating and higher expected returns will get higher active exposures while companies with lower ratings and lower expected returns will get lower active exposures.

We have not divested any companies from the fund during the last year.
c. **Does (do) the fund(s) have a specific ESG engagement policy?**

No, the fund does not have a specific ESG engagement policy.

Please be informed that Nordea Asset Management votes on an aggregated basis for all its holdings (i.e. not for each individual fund). However, for the Stars funds (including the Nordea 1 – Emerging Stars Equity Fund) we strive to vote for all companies held in the portfolio. As an illustration, in the portfolio holdings as at 31.03.2017, 93% of the portfolio had been voted so far during 2017. On an aggregate level we aim to vote about 400 companies in 2017.

i. **Please explain what you mean by Engagement**

Nordea believes in positive means of engagement where we actively contribute to improvement of company’s management of key environmental, social and governance practices. We also believe that exclusion seldom is constructive and long-term oriented. Direct divesting from companies with poor management practices is used as a last resort. We exclude companies when violations are severe and when companies are unwilling to change or improve their behaviour.

We approach to change. Nordea initiates engagement dialogues to change behaviour and to enhance business performance by addressing the business practices used by companies we invest in.

ii. **Describe how you select the companies/themes for Engagement activities and the impact on the portfolio management of the fund(s).**

As stated in Nordea Asset Management Responsible Investment Policy, NAM proactively engages with companies when we see material risks that may not be adequately managed or opportunities that may not be fully capitalised.

We initiate dialogue with the companies representing our largest holdings as well as those identified for our Stars funds in the ESG analysis process.
When we engage with companies identified for analysis for our Stars funds, we engage on behalf of all Nordea Asset Management’s funds that might hold these companies. This supports our on-going ESG integration activities.

The process below outlines how we prioritise engagements for our Stars funds.

### iii. Who undertakes Engagement on behalf of the fund (internal and/or service providers)?

The engagement on behalf of Nordea Asset Management’s holdings is being carried out by the internal Responsible Investment team.

### d. Does (do) the fund(s) have a specific voting policy integrating ESG criteria?

No, as previously mentioned Nordea Asset Management votes on all its holdings on an aggregate basis.

### e. Does (do) the fund(s) engage in securities lending activities? If yes, (i) is a policy to recall the securities in place in order to exercise the voting rights? (ii) does the counterparty selection process integrate ESG criteria?

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

For details on collateral management, please refer to page 100 of the Nordea 1, SICAV Prospectus.

### f. Does (do) the fund(s) use derivative instruments?
No. The fund has never used derivatives nor leverage and could be considered as a plain vanilla long only equity fund. The only exception to this was during the inception phase of the portfolio, when from an operational side accessing certain markets – such as India – was not yet possible and the portfolio manager had to rely on the use of certain specific derivative instruments to implement its convictions.

Generally, the investment team would navigate a tough market scenario by going for more defensive stocks, rather than start using derivatives. As such, it is worth noting that we have not used derivatives in the past and do not expect to do so either going forward.

i. If Yes, describe (i) their nature (ii) the objective(s) (iii) the potential limits in terms of exposure (iv) if appropriate, their impact on the SRI nature of the fund.

N.A.

g. Is a share of the fund(s) invested in unlisted entities pursuing strong social goals?

No.

i. If yes, please provide a brief description of the objective(s) of this investment, in no more than one or two sentences.

N.A.

4) Controls and ESG reporting

a. What internal/external control procedures are in place to ensure the compliance of the portfolio with the ESG rules defined in section 3 of this Code?

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

- Norm-based exclusion
- Ensure no investments in companies rated below B from our internal ESG ratings.
- 0% revenue threshold for: Controversial weapons, fossil fuels, coal mining, military equipment, alcohol, tobacco, gambling and pornography,
ii. State who is carrying out the controls, their frequency and within which timeframe the fund(s) have to comply should a breach be detected.

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

b. Please list all public media and documents used to inform investors about the SRI approach to the fund, and include links as appropriate:

- **Addendums**  
  N.A.

- **CSR policy of the Company**
  

- **Dedicated SRI web page(s) at company/fund level**

- **Detailed fund holdings (no more than 6 months old)**
  
  Please find attached below the fund holdings for the Nordea 1 – Emerging Stars Equity Fund as at 31.03.2017:


- **Engagement/voting policy/votes**
  
  Please find below the link to Nordea’s CG principles:


- **Fund Fact Sheet**
  


- **KIID**
  
  [https://docs.publifund.com/kiid/LU0602539354/en_LU](https://docs.publifund.com/kiid/LU0602539354/en_LU)

  [https://docs.publifund.com/kiid/LU0602539602/en_LU](https://docs.publifund.com/kiid/LU0602539602/en_LU)
5) **Additional**

a. If applicable, specify the amount of donations and the percentage of management fees that the fund gave to charities in the last year.

N.A.
Disclaimer:
The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d’Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009. This document is advertising material and does not disclose all relevant information concerning the presented sub-funds. Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment. Investments in Emerging Markets involve a higher element of risk. The value of shares can greatly fluctuate as a result of the sub-fund’s investment policy and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above. Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations.

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Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A..

Additional information for investors in Switzerland:
The Swiss Representative and Paying Agent BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland.

Additional information for investors in Germany:
The Information Agent in Germany is Société Générale S.A. Frankfurt Branch, Neue Mainzer Straße 46-50, D-60311 Frankfurt am Main. A hard copy of the above-mentioned fund documentation is also available from here.

Additional information for investors in Austria:
Sub-paying Agent and Representative in Austria is Erste Bank der Österreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna.

Additional information for investors in the Netherlands:
Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. The AFM register can be consulted via www.afm.nl/register.

Additional information for investors in France:
With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, 75013 Paris. Investors are advised to conduct thorough research before making any investment decision.

Additional information for investors in Belgium:
The Representative Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels branch, 25 Rue de Loxum, Brussels, B-1000-Belgium. A hard copy of the above-mentioned fund documentation is available upon demand free of charge.

Additional information for investors in Spain:
Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depositary of the SICAV’s assets is, J.P. Morgan Bank Luxembourg S.A.. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV’s authorised distributor prior to any subscription. A complete list of the authorised distributors is available in the CNMV’s webpage (www.cnmv.es).

Additional information for investors in Portugal:
The Management Company of the SICAV, Nordea Investment Funds, S.A., and the Depositary of the SICAV’s assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Our distributor in Portugal is BEST - Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary.

Additional information for investors in Italy:
Fund documentation as listed above is also available in Italy from the distributors and on the website www.nordea.it. The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves, at State Street Bank S.p.A. branches (located in the main towns of each region), BNP Paribas Securities Services, Banca Sella Holding S.p.A., Banca Monte dei Paschi di Siena, Allfunds Bank S.A. Sucursal de Milan, Société Générale Securities Services Sp.A. and on the website www.nordea.it. Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus and the KIID carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund’s investment policy. **The prospectus and KIID for the sub-funds have been published with Consob.**

**Additional information for investors in the United Kingdom:**
Approved by Nordea Bank AB, 5 Aldermanbury Square, London EC2V 7AZ, which is regulated by the FCA in the United Kingdom.

**Additional information for investors in Sweden:**
The Paying Agent is Nordea Bank AB (publ), Smålandsgatan 17, Stockholm SE-105 71. The Representative Agent is Nordea Funds Ltd, Swedish Branch, Mäster Samuelsgatan 21, Stockholm, SE-105 71.

**Additional information for investors in Denmark:**
The Information and Paying Agent is Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, Strandgade 3, Christiansbro, DK-1401 Copenhagen K. A hard copy of the above-mentioned fund documentation is available here.

**Additional information for investors in Norway:**
The Paying Agent is Nordea Bank AB (publ), Filial i Norge, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo. The Representative Agent is Nordea Fonds Ltd., Norwegian Branch, Essendrops gate 7, Postboks 1166 Sentrum, NO-0107 Oslo.

**Additional information for investors in Finland:**
The Paying Agent is Nordea Bank AB (publ), Finnish Branch, Satamaradankatu 5, FI-00020 NORDEA, Helsinki. The Representative Agent is Nordea Funds Ltd, Satamaradankatu 5, FI-00020 NORDEA, Helsinki.

**Additional information for investors in Latvia:**
The Representative and Paying Agent is Nordea Bank AB Latvijas branch, K. Valdemara St. 62, Riga, LV-1013.

**Additional information for investors in Estonia:**
The Representative and Paying Agent in Estonia is Nordea Bank AB Estonia Branch, Liivalaia 45 10145 Tallinn.

**Additional information for investors in Lithuania:**
The Representative and Paying Agent in Lithuania is Nordea Bank AB, Lithuania Branch, Didzioji str. 18/2, LT-01128 Vilnius. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions.

**Information for investors in Brazil:**
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