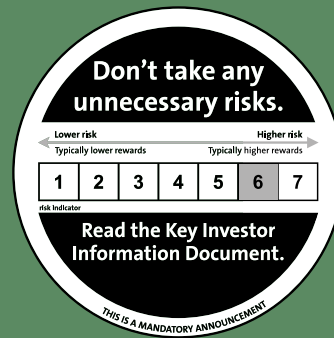


Sustainability & Engagement Report

Nordea 1 – Emerging Stars Equity Fund

Third quarter 2020



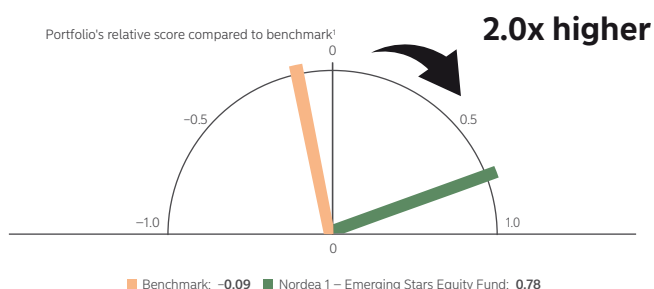
Nordea 1 – Emerging Stars Equity Fund

This section highlights how portfolio companies - through their products and services - have positive and negative impact on a total of 15 sustainability objectives which are closely aligned with the United Nation Sustainable Development Goals. The results are then compared with the benchmark. While engagement is always Nordea Asset Management preferred approach, we have made a corporate-level decision to exclude certain stocks, sectors, and practices across our entire active fund range. We have therefore banned investment in companies active in the production of illegal or nuclear weapons, including cluster munitions and anti-personnel mines, as well as companies involved in the maintenance of nuclear weapons. In a similar fashion, none of our funds invest in companies deriving more than 30% of their revenues from coal (including metallurgical coal), more than 10% from thermal coal, or more than 10% from oil sand. Our detailed RI policy and our corporate exclusion list are publicly available at [nordea.com](https://www.nordea.com/en/sustainability/sustainable-business/investments/exclusion-list/). (<https://www.nordea.com/en/sustainability/sustainable-business/investments/exclusion-list/>)

Total sustainability score (vs benchmark)

The chart below shows the contribution of the portfolio holdings products and services to both environment and social considerations compared to companies held in the benchmark.

The contribution of the portfolio to the 15 objectives (social and environmental) is 2.0x higher than the benchmark.



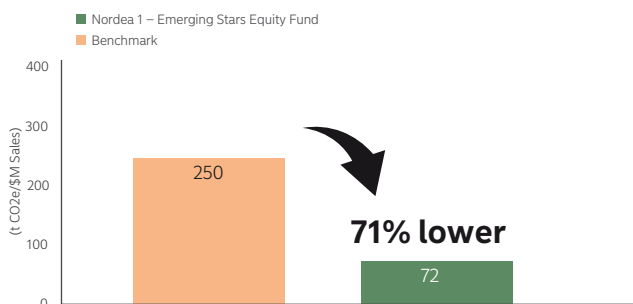
1) The relative score is calculated as follows: (Portfolio net score) / (Benchmark net score). Should the score of the benchmark be close to nil the relative score multiple might be distorted. Comparison with other financial products or benchmarks is only meant for indicative purposes.

Top contributors

- Taiwan Semiconductor** (TW, Semiconductors). The company mainly contributes to the environmental objective 'Contributing to sustainable energy use' through the supply of energy-efficient chips with the Energy Star label.
- Raia Drogasil** (BR, Retail). The company mainly contributes to the social objectives 'Ensuring health' through pharmaceuticals, basic health care products and preventative care products.
- Samsung SDI** (KR, Electronic components). The company mainly contributes to the environmental objective 'Mitigating Climate Change' through the production of photovoltaic materials as well as batteries for electric and hybrid vehicles.

Carbon intensity

The fund has a carbon footprint 71% lower than the benchmark.



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

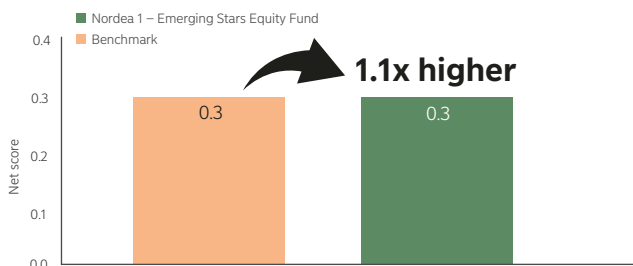
Notes	
Benchmark	MSCI Emerging Markets Net Return Index
Portfolio coverage	78%
Benchmark coverage	89%
Portfolio holdings	42

Note: Scope 1 & 2. Preliminary data as at 30.09.2020. The carbon footprint metric relies on carbon data gathered by Nordea Investment Funds S.A., MSCI Inc. and is based on the Swedish Fund Association's recommendation. Further information on the calculation approach is available at: https://www.nordea.lu/documents/responsible-investments---carbon-footprint-disclosure/RI-CFD_eng_INT.pdf/. Source: Nordea Investment Funds S.A., MSCI Inc.

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Exposure to the 7 social objectives²

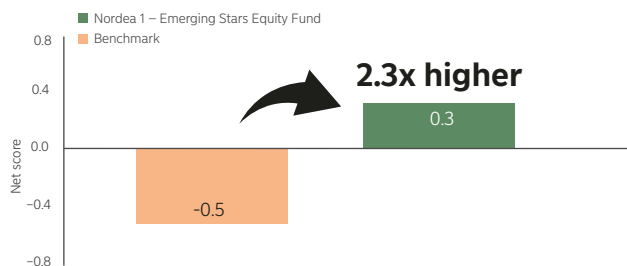
The contribution of the portfolio to the 7 social objectives is 1.1x higher than the benchmark.



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

Exposure to the 8 environmental objectives²

The contribution of the portfolio to the 8 environmental objectives is 2.3x higher than the benchmark.



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

Top 3 social objectives

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

Main SDGs exposure



Top 3 environmental objectives

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

Main SDGs exposure

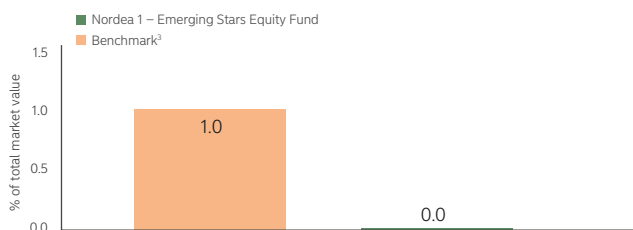


Portfolio Company highlight: Ping An Healthcare and Technology

Ping An Good Doctor was launched only in 2015 and is already the China's largest online healthcare provider with more than 315 million users. The company provides healthcare services backed by its in-house medical team is supported by a self-developed Artificial Intelligence and digital healthcare platform. Patients benefit from 24/7 online medical services, a health e-commerce mall, as well as consumer healthcare services. Ping An Good Doctor offers superior user experience with enhanced consultation efficiency, lower cost and increased diagnostic accuracy result in high customer satisfaction. PAGD's strong growth prospects have been enhanced by the current pandemic as it offers online appointments for less serious medical situations. This improves the current patient experience of long waiting times for short appointments and gets around the current uneven distribution of quality hospital resources in China.

Human rights – norms violations

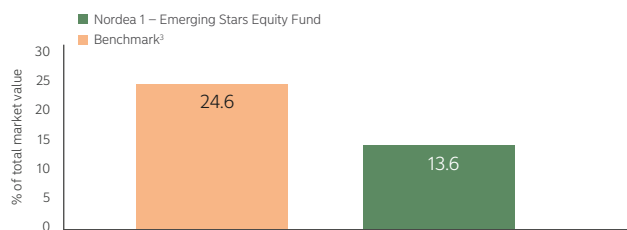
The chart below represents the percentage of human rights norms violation.



Human rights norms violation (%): The percentage of portfolio's market value exposed to companies in violation of international norms around human rights as defined by MSCI ESG Research LLC. **Comparison with other financial products or benchmarks is only meant for indicative purposes.**

Governance – board diversity

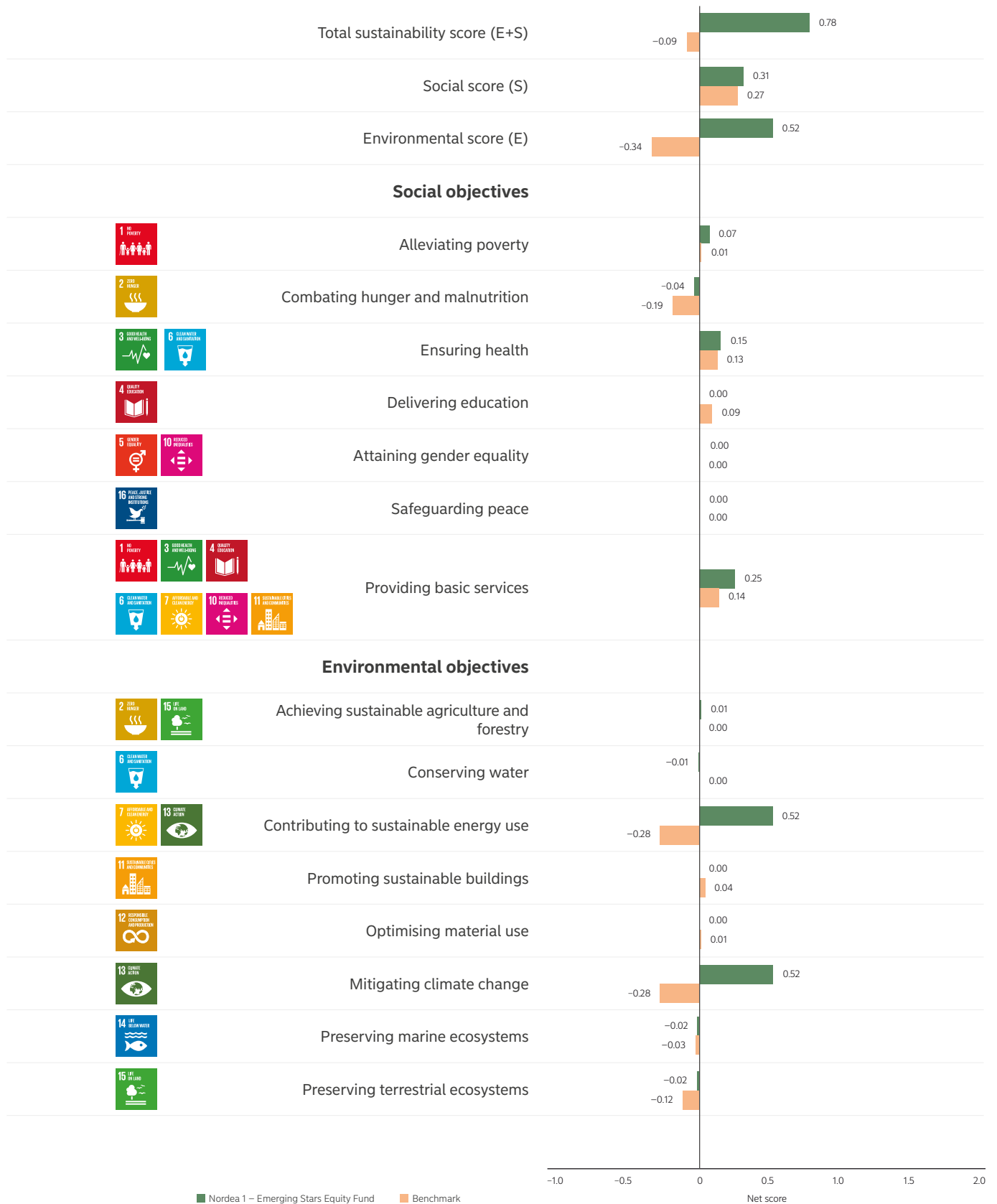
The chart below represents the percentage of companies with no female directors.



No female directors (%): The percentage of portfolio's market value exposed to companies with no female directors as defined by MSCI ESG Research LLC. **Comparison with other financial products or benchmarks is only meant for indicative purposes.**

² Please note that the total sustainability score is the sum of the social and environmental scores and may slightly differ due to rounding differences. Should the benchmark score be negative the multiplier is calculated as follows: (Portfolio score + 1) / (Benchmark score + 1). Further information on SDGs is available at <https://www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.html>. Sources: Nordea Investment Funds S.A., ISS-ESG, United Nations Sustainable Development Goals. ³ As measured by the iShares MSCI Emerging Markets ETF. Source: MSCI ESG Research as of 14.10.2020.

Sustainability score details



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

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

Engagement is key for active ownership

The aim of this section is to describe some of the activities that the Responsible Investment (RI) team has done over the last quarter for this specific fund. This tool, therefore, is not meant to be fully comprehensive, but to allow investors to follow-up on the fund's relevant ESG-related issues (Environmental, Social and Governance) and the main activities that the RI team has been involved in.

Being part of Nordea's responsible investment policy, the fund excludes companies involved in the production of nuclear weapons and cluster munitions as well as companies with large exposure to coal mining (>30% revenues). However, excluding a company from our portfolios is always a last resort: the **STARS concept aims for positive selection** with the objective to influence companies to improve their ESG profiles. **Engagement therefore takes a new dimension with the STARS.** It does not only consist of the traditional forms of engagement, like the exercise of voting rights or entering into a dialogue to encourage companies to improve their management systems, their ESG performance or their reporting. When assessing a company's ESG risk profile we also focus on specific themes utilising UN Sustainable Development Goals. Thus, we distinguish two types of engagement:

- **Risk Engagement:** if a company is not managing its material ESG risks well, the RI team engages with the company on the issue. The ESG risks can be company specific or stem from the country in which the company operates or its industry. Violations of international norms and conventions are also addressed under Risk Engagement.
- **SDG Engagement:** conducted with a specific focus on companies' exposure to certain themes, which might represent a significant material risk for the company. **Nordea believes that companies that align their strategies with the UN Sustainable Development Goals (SDGs) will be successful** in the long-term, because they are adjusting to global society's future needs.

Top ESG activities over the quarter

Holding	Nordea ESG scoring ⁵	Proxy Voting ⁶	SDG Engagement	Risk Engagement	Activity
Samsung Electronics	B	✓	8 Decent work and economic growth	Corporate governance, labour rights	Meeting
Varun Beverages	B	✓	6 Clean water and sanitation	Water stress	Meeting
Magnit	B+	—	12 Responsible production and consumption	Food waste	Meeting

5) Current scoring, based on Nordea proprietary ESG model. 6) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM happened. **Please find out more on nordea.com/sustainability or access directly the [voting portal](#).**

ESG scoring distribution (from best to worst) applicable to this fund:



Sustainable Development Goals (SDG) related to the main ESG activities over the quarter:



Scoring changes

There were no scoring changes during the quarter.

ENGAGEMENT CASES

Samsung Electronics

OVERVIEW

Samsung Electronics is a South Korea-based company principally engaged in the manufacture and distribution of electronic products. The company faces ESG risks in terms of product safety, health and safety, labour rights and corruption.

CHALLENGE

Corporate governance, labour rights

PROCESS

The RI and investment team engaged with the company during the quarter. The focus was to get an update on the new sustainability report published by the company. However specific questions were asked regarding its labour rights policy and an update on allegation of forced Uighur labour in its supply chain.

The compliance committee committed earlier this year that Samsung Group would abolish its unofficial “no-union” policy and secure labour rights in all its affiliates. To achieve this commitment the company has hired a new global head of labour, who has a background as the secretary general of the International Organisation of Employers in Brussels. To address the corporate culture, the company has also initiated labour rights training for all its executives and employees in HR functions. Furthermore, the company’s global code of conduct has been updated with a commitment to freedom of association and collective bargaining. The current status of unionisation in the company is 54%.

The final issue discussed at the meeting was regarding allegations made in an Australian NGO report from early 2020, which alleged that a group of companies that had participated in a Chinese re-schooling project of the Muslim Uighur minority included at least one of Samsung Electronics’ suppliers (OFILM Group). The company has conducted an investigation and found that OFILM was no longer one of its suppliers.

OUTCOME

The company has taken the initial steps to improve the corporate culture regarding labour rights. Samsung Electronics also acknowledges that the current Uighur situations in China puts more demand on its supply chain monitoring, as the company’s code of conduct prohibits use of forced labour.

Varun Beverages

OVERVIEW

Varun Beverages (Varun) is an Indian company which manufactures, bottles and distributes carbonated soft drinks, and non-carbonated beverages including packaged drinking water. The company’s only client is PepsiCo and it produces a variety of their brands. Varun has 32 manufacturing plants locations throughout India and 6 plants outside India.

CHALLENGE

Environment – Water

PROCESS

Varun’s main raw material used in its products is freshwater and its production is dependent on the ability to draw groundwater from underneath its manufacturing plants and freshwater from surface water sources. Most of Varun’s manufacturing plants are located in India, which is one of the most climate-vulnerable countries on earth.

Varun has implemented several different water management programs to address its water risks, of which some are regulatory mandated and some are voluntary. A central part of Varun’s water management is the monitoring of its groundwater use and monitoring of the groundwater levels. Varun uses water in several different aspects of its manufacturing process – however, the main uses is water used in its products.

Factory harvesting: All the rainwater harvested on factory grounds is recharged to the groundwater through recharging pits, which are special pits that allow a greater proportion of rainwater to replenish the groundwater. If the rainwater was not harvested and led to recharging pits then the majority of it would evaporate.

Pond harvesting: Varun has adopted 103 water-harvesting ponds, of which around 20 are fitted with recharging shafts to the groundwater aquifer. The remaining ponds are mainly used by the local community for agricultural purposes, which reduces their strain on the natural water sources. Varun maintains the upkeep of these ponds.

OUTCOME

For Nordea Asset Management (NAM) the main focus on engagement with Varun has for years been water management. NAM has requested that the company increases the transparency on its water managements activities and have these audited.

Magnit

OVERVIEW

Magnit is a consumer retail and distribution operator in Russia. The company's retail operations are conducted through a large number of convenience stores, cosmetic stores, hypermarkets, and other outlets across Russia. The company faces ESG risks in terms of labour management and managing food waste.

CHALLENGE

Food waste, Labour management

PROCESS

Magnit was added to the Emerging Stars Equity Fund during the quarter, and the RI team met with the company's CEO to discuss the company's commitment to reducing food waste and improving employee satisfaction. Since the new CEO joined Magnit in 2019, the company has made substantial progress across the areas of sustainability governance, transparency and ambition levels. In June 2020, Magnit released its sustainability targets for 2025, which included commitments to reduce food waste by 50%, raise employee satisfaction to 70% and reduce staff turnover to under 40%. To deliver on the employee satisfaction target, the company is working on

improvements in their labour management programs, with a specific focus on employee development and engagement. The RI team recommended that the company should improve their quantitative reporting on employee satisfaction and retention to allow investors to track the progress against these targets.

Addressing the food waste problem will be a more challenging undertaking, given the company's focus on increasing its range of fresh and ultra-fresh products, which are quicker to spoil and contributed to an increase in food waste for the company of 53% between 2018 and 2019. The need to address wastage across the entire supply chain also requires a comprehensive strategy to deliver on Magnit's targets. The RI team recommended that the company should provide a more detailed progress plan for how the different stages of wastage are addressed, as well as complementing the 50% target with further initiatives to responsibly handle the remaining unmitigated waste.

OUTCOME

The company is working to improve their control of food waste across the areas of demand forecasting, storage and transportation. Near-term improvements are expected especially in the transportation phase, where import source controls and packaging solutions are promising areas for improvement. The RI team will continue to monitor the company's progress against these targets.

Description of ISS-ESG methodology

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

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

As the UN SDGs primarily target states and the public sector, not all of the goals are relevant for companies. For this reason, ISS-ESG defined a total of 15 sustainability objectives which are closely aligned with the SDGs. They are used to assess companies' product portfolios in terms of their contribution towards sustainable development based on their revenue weight. For each individual objective, a qualitative analysis is conducted to determine whether a product or service category contributes to or refrain from attaining the objective. As a result, the positive and negative effects of different product groups may partly cancel each other out within a given objective.

Further information on the company and the methodology is available at: <https://www.issgovernance.com/esg/impact-un-sdg/>

List of the 15 overarching sustainable objectives

7 social objectives

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

8 environmental objectives

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

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


















Complete list of SDGs:



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

UN Sustainable Development Goals

Corresponding ISS-ESG Sustainability Objectives

	No poverty	<ul style="list-style-type: none"> - Alleviating poverty - Providing basic services (access aspect)
	Zero hunger	<ul style="list-style-type: none"> - Combating hunger and malnutrition - Achieving sustainable agriculture and forestry
	Good health and well-being	<ul style="list-style-type: none"> - Ensuring health - Providing basic services (access aspect)
	Quality education	<ul style="list-style-type: none"> - Delivering education - Providing basic services (access aspect)
	Gender equality	<ul style="list-style-type: none"> - Attaining gender equality
	Clean water and sanitation	<ul style="list-style-type: none"> - Conserving water (quality and quantity aspect) - Ensuring health (sanitary aspect) - Providing basic services (access aspect)
	Affordable and clean energy	<ul style="list-style-type: none"> - Contributing to sustainable energy use (clean aspect) - Providing basic services (access aspect)
	Decent work and economic growth	—
	Industry, innovation and infrastructure	—
	Reduced inequalities	<ul style="list-style-type: none"> - Attaining gender equality - Providing basic services
	Sustainable cities and communities	<ul style="list-style-type: none"> - Promoting sustainable buildings - Providing basic services (access aspect regarding housing, transportation)
	Responsible consumption and production	<ul style="list-style-type: none"> - Optimising material use
	Climate action	<ul style="list-style-type: none"> - Mitigating climate change - Contributing to sustainable energy use
	Life below water	<ul style="list-style-type: none"> - Preserving marine ecosystems
	Life on land	<ul style="list-style-type: none"> - Preserving terrestrial ecosystems - Achieving sustainable agriculture and forestry
	Peace, justice and strong institutions	<ul style="list-style-type: none"> - Safeguarding peace
	Partnerships for the goals	—

The sub-funds mentioned in this document are part of Nordea 1, SICAV, a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009, 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. 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. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management-/Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

