

Sustainability & Engagement Report

Nordea 1 – Nordic Stars Equity Fund

Third quarter 2020



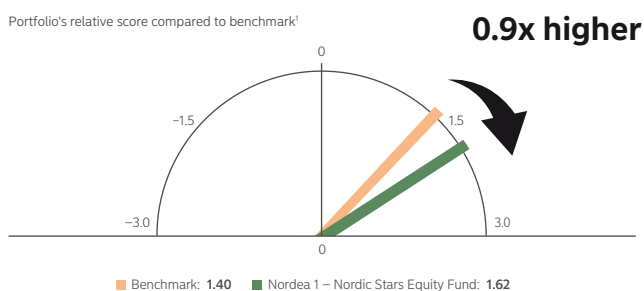
Nordea 1 – Nordic Stars Equity Fund

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 0.9x 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

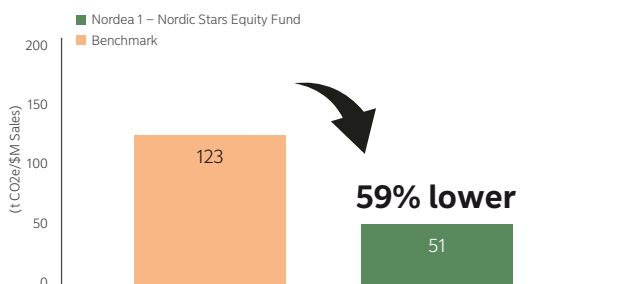
1. Sectra (SE, Software & IT Services). The company mainly contributes to the social objective 'Ensuring health' as it develops IT systems for managing medical images and patient information.

2. Tomra Systems (NO, Recycling and Emissions Reduction). The company mainly contributes to the environmental objective 'Optimising material use' through the provision of waste recycling services (e.g. metals, food) and waste collecting services (e.g. packaging).

3. Elekta (SE, Health Care Equipment & Supplies). The company mainly contributes to the social objective 'Ensuring Health' as it provides professional diagnostic and treatment devices for the healthcare industry.

Carbon intensity

The fund has a carbon footprint 59% lower than the benchmark.



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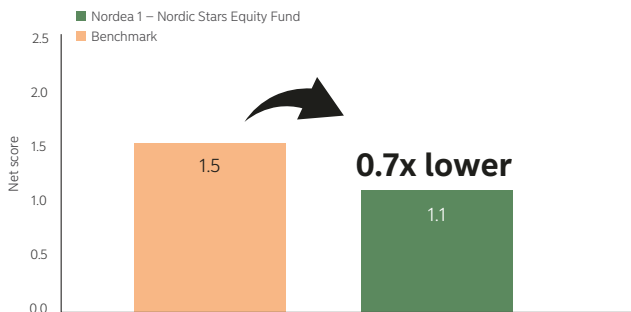
Notes

Benchmark	MSCI Nordics 10/40 Index (for illustrative purposes only as the fund has no official benchmark)
Portfolio coverage	92%
Benchmark coverage	100%
Portfolio holdings	28

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. ©2020 MSCI ESG Research LLC. Reproduced by permission. Although Nordea Investment Funds S.A. information providers, including without limitation, MSCI ESG Research LLC. and its affiliates (the 'ESG Parties'), obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the ESG Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the ESG Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Exposure to the 7 social objectives²

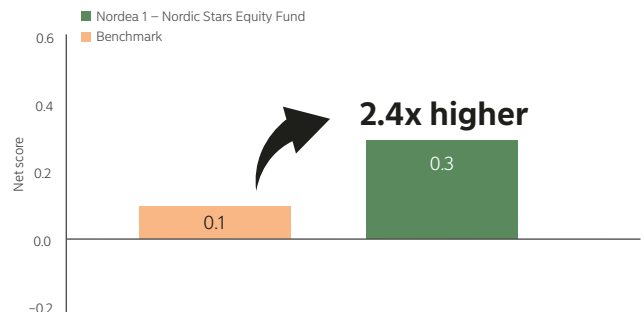
The contribution of the portfolio to the 7 social objectives is 0.7x lower than the benchmark.



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 2.4x higher than the benchmark.



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

Top 3 social objectives

1. Ensuring health
2. Safeguarding peace
3. Providing basic services

Main SDGs exposure



Top 3 environmental objectives

1. Achieving sustainable agriculture and forestry
2. Optimising material use
3. Preserving terrestrial ecosystems

Main SDGs exposure



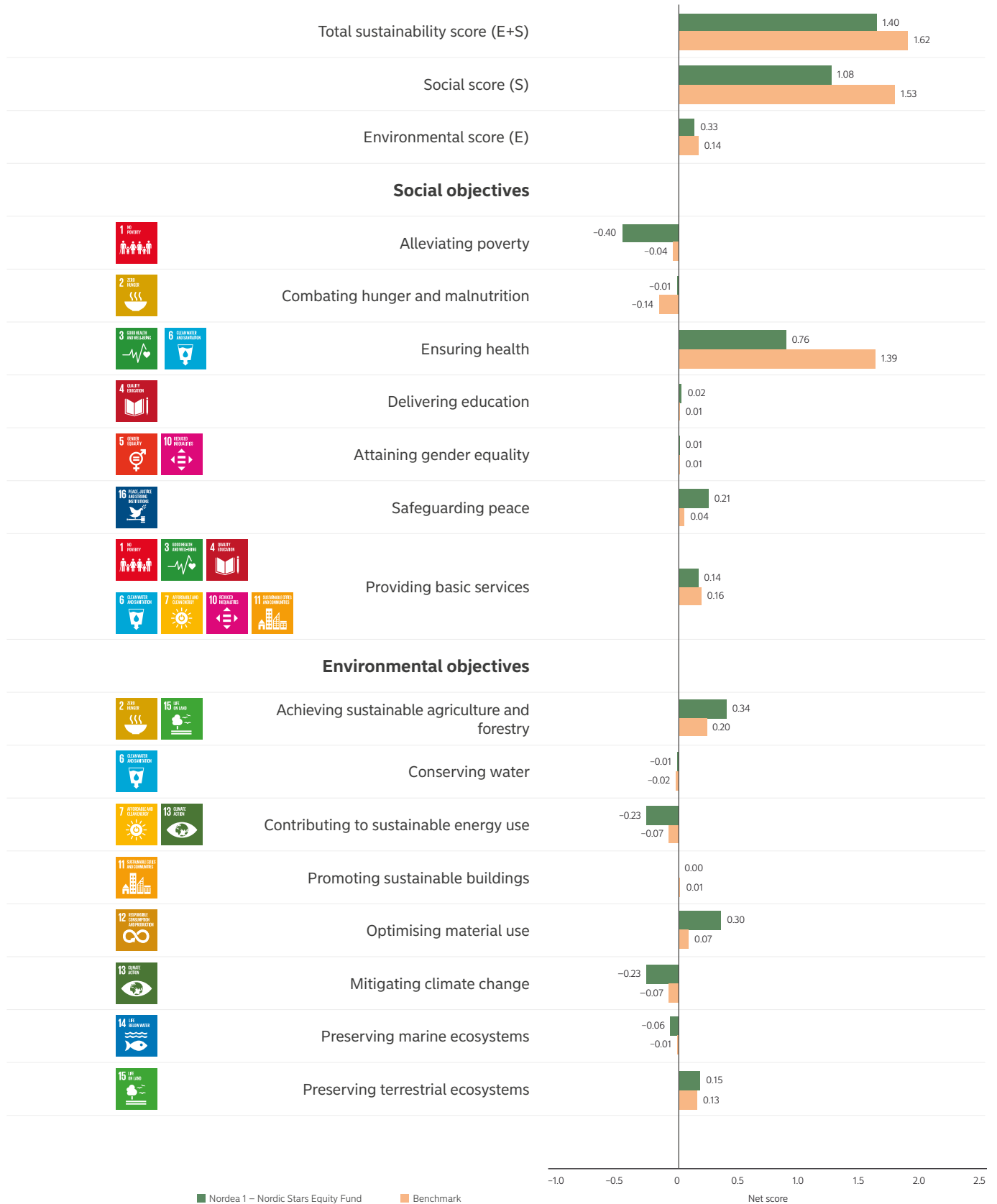
Portfolio Company highlight: Holmen AB

Holmen AB is a Sweden-based company active primarily within the paper products sector. The Company is engaged in the manufacture of printing paper, paperboard and sawn timber and conducting forestry and energy production operations. The Company's operations are divided into five business areas:

- The Holmen Paper business area manufactures magazine and book paper, white and colored newsprint, and telephone directory paper at two mills in Sweden and one in Spain
- The Iggesund Paperboard business area produces solid bleached board (SBB) and folding boxboard (FBB) for consumer packaging and graphics printing at one mill in Sweden and one in the United Kingdom
- The Holmen Timber business area produces pine joinery timber and spruce construction timber at two Swedish sawmills
- The Holmen Skog business area is responsible for the Company's forests and wood supply
- The Holmen Energi business area is in charge of the Company's hydro and wind power operations

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 follow: (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.

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 ³	Proxy Voting ⁴	SDG Engagement	Risk Engagement	Activity
Millicom	A	✓	8 Decent work and economic growth	Information Security, Data Privacy	Call
Nordea Bank	B+	✓	8 Decent work and economic growth 10 Reduced inequalities	Financial Crime, AML	Call
Adapteo	B+	✓	8 Decent work and economic growth 9 Industry, innovation and infrastructure 11 Sustainable cities and communities 13 Climate action	Human Rights	Call

3) Current scoring, based on Nordea proprietary ESG model. 4) 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

Millicom

OVERVIEW

Millicom is an international telecommunications and media company which provides a wide range of digital services, including high-speed data, cable TV, voice and SMS, Mobile Financial Services, and business solutions to customers in Africa and Latin America under the Emtel and Tigo brands.

CHALLENGE

Business ethics, human rights and data privacy.

PROCESS

Having previously had broad ESG discussion with the Head of Sustainability, in this meeting we took the engagement deeper by talking in detail with Millicom's Head of Information Security and the Head of Data Security about Information Security and Data Privacy.

OUTCOME

We believe that implementation of a solid information security management system and defining a comprehensive data privacy policy at Group level, adapted to local regulatory requirements, should be seen as a prerequisite for effective customer data protection. Millicom follows a top-down, group approach towards Information Security that encompass Data Protection. The Head of Information Security and the Head of Data Security are located in the Miami office with an Information Security Policy applicable to Millicom and all its affiliates and local Information Security / Data Controller responsible in the countries of operations. This enables Millicom to have most of its operations and systems ISO 27001 certified. Millicom is GDPR compliant for the limited number of employees and clients in Europe and is currently conducting a full assessment to become compliant with the GDPR equivalent in the USA, the California Consumer Privacy Act. Furthermore, Millicom invited us to participate in a stakeholder materiality interview to share our views on the most financially material ESG issues they should focus on, which we see as a positive and proactive approach to improve its ESG Strategy in the future.

Nordea Bank

OVERVIEW

Nordea Bank is a leading Nordic Bank operating primarily in the Nordic region. Nordea Bank provides banking and asset/wealth management services to personal, corporate and institutional customers.

CHALLENGE

Financial crime and anti-money laundering

PROCESS

Financial Crime being the main focus, we spoke with the Head of Financial Crime Risk Management at Nordea Bank. We were looking for a transparent response and concrete actions to address and solve this issue.

OUTCOME

Nordea Bank has built up capabilities since 2016 to change and improve the Financial Crime Quality Management Framework. The Know Your Customer due diligence tool is now more automated, with a Quality team ensuring the quality and identifying false positives. Upon review from the Second Line of Defence, the risk assessment quality is noticeably better with a 95% pass rate, exceeding the 90% minimum threshold. For transaction monitoring, quality verification sits with a dedicated Transaction Monitoring and Sanctions team, with suspicious behaviour response time (start to finish) improved from 60 to 22 banking days, even with 10 000 cases reported each month. The aim is to have automation in transaction monitoring with Artificial Intelligence for repeated behaviours. In terms of resources, there has been a significant increase in employees dedicated to KYC, transaction monitoring as well as the technology supporting the Financial Crime system, who are expert, trained and educated on the matter.

Adapteo

OVERVIEW

Adapteo is a company specialized in modular space. Adapteo develops, manufactures, sells, and rents relocatable buildings for professional customers in the Nordic countries with a primary focus on offices, schools, and preschools.

CHALLENGE

Sustainability strategy – developing their own, having been a recent spin off from Cramo.

PROCESS

Leveraging on the existing ESG Strategy brought across from former parent Cramo, we spoke with the recently appointed ESG director of Adapteo to discuss their ESG materiality assessment and subsequent ESG strategy.

OUTCOME

Adapteo is seriously considering ESG factors: green buildings including material sourcing, supply chain, health & safety, business ethics and environmental footprint of logistics (since modules need to be transported to the construction site). 2020 is the year for Adapteo to translate the ESG materiality analysis into goals and targets as well as the preparation of sustainability reporting. This is driven by the Senior Vice President Marketing, Communications and Sustainability. The Sustainability

framework has been developed and the management has selected 3 key UN SDGs as pillars: climate smart buildings, innovation for mobility and inclusion. Sustainability targets will be set by the end of 2020. Overall this is a positive development and we will follow-up on the outcome of their ESG Strategy by the end of year and also in 2021.

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.

