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ESG Report

Nordea 1 – European High Yield Stars Bond Fund

First quarter 2022



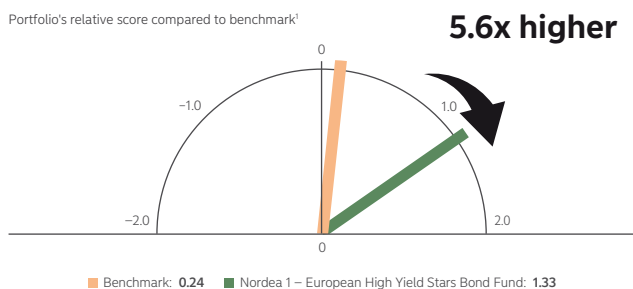
Nordea 1 – European High Yield Stars Bond Fund

This report highlights how portfolio companies - through their products and services - have positive and negative impact on 15 objectives closely aligned with the UN Sustainable Development Goals. While engagement is always a preferred approach, we have made a corporate-level decision to exclude certain stocks, sectors, and practices across our entire active funds range. We don't invest in companies involved in production of illegal or nuclear weapons, cluster munitions, anti-personnel mines, nor maintenance of nuclear weapons. We also exclude companies deriving more than 30% of their revenues from coal (incl. 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. Furthermore, companies deriving more than 5% of their revenues from fossil fuels must demonstrate a transition strategy aligned with a 2°C target to be part of our Paris-Aligned Fossil Fuel List or will be excluded. Further information on our fossil fuel policy is available [here](#).

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.

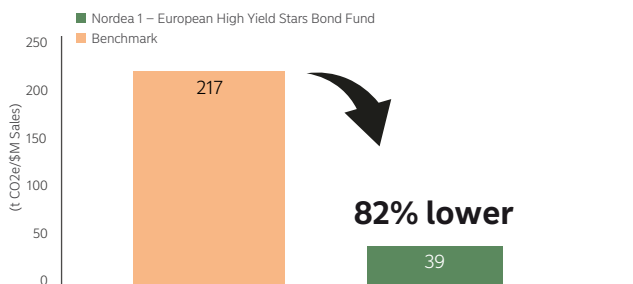
The contribution of the portfolio to the 15 objectives (social and environmental) is 5.6x higher than the benchmark.



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.

Carbon intensity

Please note that the carbon intensity is not calculated for the benchmark as the coverage is deemed low (below 75%)



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

Top contributors

1. Grifols S.A (SP, Pharmaceuticals & Biotech). The company mainly contributes to the social objective 'Ensuring Health' as it develops, manufactures, and distributes a range of biological medicines on plasma derived proteins worldwide.

2. Verisure Midholding AB (SE, Electronic Devices & Appliances). The company mainly adds to the environmental objective 'Safeguarding Peace' as it produces and sells products that help to prevent crime and personal as well as material damage.

3. Progroup AG (DE, Paper & Forest Products). The company mainly contributes to the environmental objective 'Optimising Material Use' as it produces and supplies corrugated sheet boards and recycled containerboards primarily for family-owned box manufacturing customers.

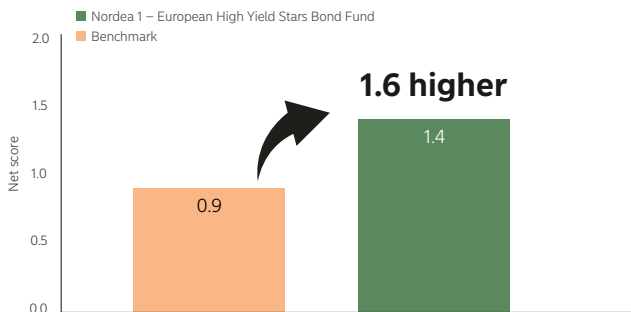
Notes

Benchmark	ICE BofA European Currency High Yield Constrained Index - Total Return 100% Hedged to EUR
Portfolio coverage	53%
Benchmark coverage	71%
Portfolio holdings	132

Source: Data sourced from ISS Ethix. For sovereigns (countries) turnovers is replaced by GDP. Please note that only scope 1&2 are taken into consideration, excluding scope 3. The carbon intensity of our fund might therefore appear higher than the benchmark. Scope 1 refers to direct GHG emissions and Scope 2 refers to indirect GHG emissions from the consumption of purchased electricity and Scope 3 refers to other indirect emissions that occur from sources not owned or controlled by the company.

Exposure to the 7 social objectives²

The contribution of the portfolio to the 7 social objectives is 1.6x higher than the benchmark.



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

Top 3 social objectives

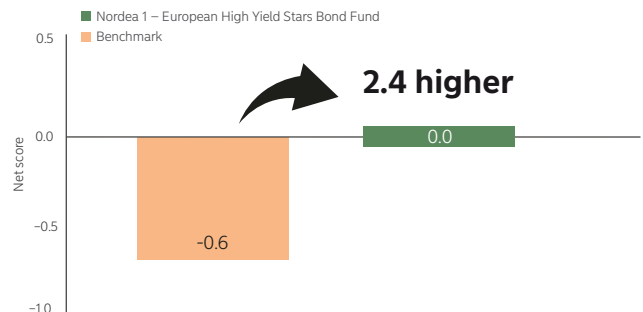
1. Providing basic services
2. Ensuring health
3. Safeguarding peace

Main SDGs exposure



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 environmental objectives

1. Optimising material use
2. Promoting sustainable buildings
3. Achieving sustainable agriculture and forestry

Main SDGs exposure



Portfolio Company highlight: Progroup AG

Progroup AG, through its subsidiaries, produces and supplies corrugated sheet boards and containerboards in Germany and internationally. It offers corrugated board sheets primarily for family-owned box manufacturing customers; and recycled containerboards, lightweight papers, and other corrugated board products, as well as energy, freight, and financial services. The company offers its products primarily under the next fibre, next board, and next box brands. Its customers serve various markets, such as industrial, manufacturing, consumer durables, processed food, non-food manufactured consumer goods, and fresh food. The company was founded in 1991 and is headquartered in Landau, Germany.

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 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.

Engagement cases

United Group BV

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
B	—	13 Climate action	Soft engagement - fact-finding

Overview

United Group BV engages in the provision of telecommunications and media services. It provides services to brands such as SBB, telemach, total TV, telemach, and Net TV plus. The company was founded by Dragan Šolak in 2000 and is headquartered in Amsterdam, the Netherlands. The company offers a diverse and differentiated line of products and services and is the clear multi-play leader across Slovenia, Bulgaria, Serbia, Croatia, Greece, Bosnia and Herzegovina and Montenegro, with an addressable market that comprised 13.4 million households as of 30.09.2021.

Background

The purpose is to understand the company's operation better in terms of support of the UN SDG's.

Specifically, these are the request we have moved to the company:

- A. How you see the changing environment affecting the company's business model / costs
- B. The company's sustainability policies especially as the plans for reducing GHG emissions by 60% and the process of purchasing solar and wind energy plants. As the company is venturing into wind energy beyond the need for own energy consumption, Nordea would like to understand how the company see this in relation to the media business and what the strategy is
- C. How the company sees its link to the UN SDG's and how the turnover is linked to the SDG's the company promotes (if any)

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](#).

The Engagement

The company has agreed to meet and discuss but a time has not been set.

Outcome

No outcome for now

CAB SELAS / Biogroup / Laboratorie Eimer

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
B-	—	17 Partnerships for the goals	Push for having an ESG policy

Overview

French based laboratories for medical analysis with a recent expansion into Belgium. France represents 78% of revenue with the rest split between Belgium, Luxembourg, Spain and the UK

Background

The purpose is to understand the company's operation better in terms of support of the UN SDG's.

Specifically, these are the requests we have moved to the company:

- How the company sees the changing environment affecting the company's business model / costs
- The company's sustainability policies especially as they only mention a policy for zero-paper which Nordea does not see as an ESG policy that is complete and aligned with investor expectations
- How the company sees its link to the UN SDG's and how they would link their turnover to the SDG's the company promotes (if any)

The Engagement

The company has not responded to our outreach so we will continue to approach them to get the conversation started.

Outcome

No outcome for now.

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](#).

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 Nations 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: 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: www.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	—

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