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Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID).

ESG Report

Nordea 1 – Emerging Stars Bond Fund

First quarter 2022



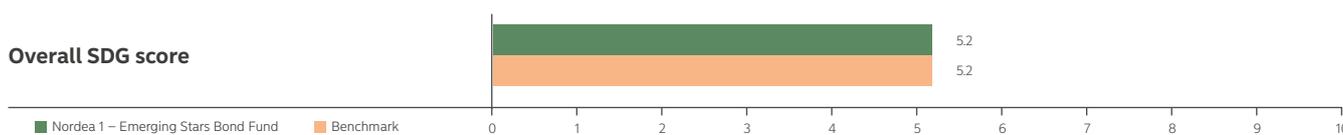
Nordea
ASSET MANAGEMENT

Nordea 1 – Emerging Stars Bond Fund

This report highlights the alignment of issuers in the fund and the benchmark with the 17 United Nations Sustainable Development Goals (UN SDGs), based on each issuer’s country of risk. The majority of the fund’s investment universe comprises emerging markets sovereign debt, and does not include countries with structurally deficient and non-improving ESG profiles. While engagement is always a preferred approach, we have made a corporate-level decision to exclude certain countries, bonds, stocks, sectors, and practices across our entire active funds range. In addition to the core country exclusion mentioned above, 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)

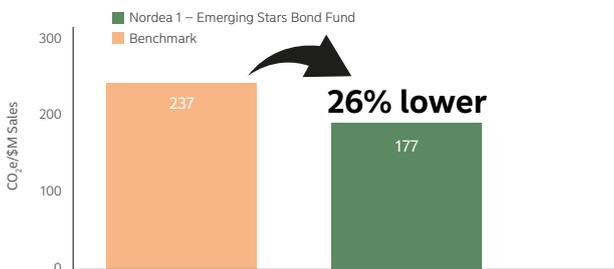
The overall contribution of the fund towards the 17 UN SDGs was in line with the benchmark, with an overall SDG score of 5.2 for the fund and the benchmark, respectively, as illustrated in the chart below:



Data are sourced from Maplecroft.Net Limited (“Verisk Maplecroft”) and follow an approach based on country-specific risk factors which are mapped by Maplecroft to the 17 SDGs. The result is a 0-10 score for each of the 17 SDGs for each country, as well as an aggregate SDG score. We have calculated the weighted average sustainability score for each SDG based on the fund and benchmark issuers’ country of risk. Both sovereign bonds and corporate bonds are captured in the overall country exposure. Please note that the corporate bonds are not considered by issuer specific score, but rather from the country of risk perspective. Please see the section below “Methodology” for further details. **Comparison with other financial products or benchmarks is only meant for indicative purposes.** The total sustainability score represents the Overall SDG Score based on the individual country index score as defined by Maplecroft. Net Limited (“Verisk Maplecroft”). Copyright © 2022, Maplecroft.Net Limited. All rights reserved. Verisk Maplecroft is a Verisk Analytics business. Please note that the Overall SDG score may slightly differ from the aggregated figures due to rounding differences. Further information on SDGs is available at www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.htm. Sources: Nordea Investment Funds S.A., Verisk Maplecroft, United Nations Sustainable Development Goals.

Carbon intensity

The fund has a carbon footprint 26% lower than the benchmark.



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

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.

Portfolio coverage for the SDG score

Benchmark	JP Morgan Emerging Markets Bond Index – Global Diversified
Portfolio coverage	96%
Benchmark coverage	99%
Portfolio holdings	369

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 countries with a structural and non-improving ESG profile and 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 country or a company from our portfolios is always a last resort: the **STARS concept aims for positive selection** with the objective to influence countries and 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 the improvement of their public governance and management systems, their ESG performance or their reporting. When assessing a country or 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 country and/or a company are not managing their material ESG risks well, the RI team engages with the public authorities and companies' management 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 countries or companies' exposure to certain themes, which might represent a significant material risk. Nordea believes that countries and 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

Genneia S.A.

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
Not rated	—	13 Climate action	Environment – Climate, Renewable energy, Paris aligned fossil fuel list (PAFF list)

Overview

Genneia S.A. is an Argentinian utility company engaged in the distribution of natural gas and production and transmission of electricity. We do not hold any bonds from Genneia S.A. in the portfolio currently.

Background

Genneia S.A. generates 85% of its EBITDA from renewable energy and has been growing that capacity aggressively. However, the company has not set Science Based Targets and it was unclear before our engagement if the company commits to closing the remaining oil and gas based electricity plants. Our fossil fuel policy requires companies to demonstrate that they have a decarbonization strategy which is consistent with 2°C of

global warming or less. Companies that can demonstrate this are put on Nordea Asset Management's Paris-Aligned Fossil Fuel list. Companies that are not on the list will be excluded from funds adhering to the policy (e.g. our Nordea 1 – Emerging Stars Bond Fund).

The Engagement

We had a conversation with the company in order to better understand the company's business in relation to the Paris Agreement's climate objectives as well as the company's climate risk management and target setting. The company provides rather limited information about its climate governance and forward trajectory in its reporting. We therefore asked for detailed information in order to assess the company holistically and gave the company the opportunity to provide information around the

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](#).

shortcomings in its reporting. The company clearly made the case that further divestment from their fossil portfolio is not entirely in their hands, given the fossil plants produce electricity particularly in peak demand times for which the company adheres to strict regulation.

Outcome

The company is on a positive trajectory but cannot currently commit to closing its fossil fuel portfolio and further its fundamental investments into more renewable and sustainable revenue streams. Given the company cannot make these commitments and is not setting Science Based Targets for emission reductions, we can currently not include the company on the Paris-Aligned Fossil Fuel list, which would make the company's bonds investable for this portfolio. However, we did get assurance that these topics will be discussed and we remain vigilant about the company's development and will re-assess in due course.

Description of Verisk Maplecroft methodology

This report includes index scores developed to highlight the alignment of issuers in the fund and the benchmark with the 17 United Nations Sustainable Development Goals (UN SDGs), based on each issuer's country of risk. These index scores have been developed by Verisk Maplecroft and are presented on a scale of 0.00-10.00, where 0.00 represents the highest risk and 10.00 represents lowest risk, with the following breakdowns: 0.00-2.50 represents Extreme risks, 2.50-5.00 represents High risks, 5.00-7.50 represents Medium risks and 7.50-100 represents Low risks. We have then calculated the weighted average sustainability scores by SDG based on the fund and benchmark issuers' country of risk. Both sovereign bonds and corporate bonds are captured in the overall country exposure. Please note that the corporate bonds are not considered by issuer specific score, but rather from the country of risk perspective. Further information on the company and the methodology is available at: <https://www.maplecroft.com/risk-indices/>

Complete list of SDGs:



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

Please note that each fund and benchmark are assigned a score ranging from 0.00-10.00 based on the above 17 UN SDGs. 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 from a country perspective.

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