



Corporate Governance activities 2022

Being an active owner is central to our understanding of ESG and in delivering returns with responsibility. We are convinced that ensuring good ESG practices and sound corporate governance in our funds' holdings is an important part of safeguarding the long-term interests of both the shareholders and the society. We welcome the increasing interest in ESG proposals, and give high importance to those in our voting activities.

The Corporate Governance team works in close collaboration with the Responsible Investments (RI) team and our Portfolio Managers (PM) to align the stewardship work on important ESG resolutions and all other issues. Our ambition and aim is to vote in at least 90% of all general meetings in the companies in which we hold equities.

For us transparency is key, and a basic pillar of our ownership approach. Therefore, we invite you to read about our Corporate Governance activity and our corporate governance policy, which are publicly available on our [voting portal](#).

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Our approach to Corporate Governance

We believe that sound corporate governance contributes to shareholder value and adds value to equity investments. Corporate governance is essential for a transparent relationship between companies and shareholders, in which shareholders play a vital role in improving the performance of a company. Active corporate governance is a central aspect of Nordea Asset Management's (NAM) duty on behalf of unitholders and must always be conducted in their interest.

We also believe it is our duty to deliver returns with responsibility and we were an early adopter of RI, signing the UN Principles for Responsible Investment (PRI) back in 2007. Being an active owner – by using our voting rights and engaging with companies – is a central part of delivering returns with responsibility.

Our guidelines relating to these issues are brought together in the Corporate Governance Principles, which has been made available to read on [Nordea's voting portal](#). It summarises our view on a range of governance issues such as board appointments, compensation issues and sustainability. In 2018 the Voting Portal was launched, providing detailed information about how NAM votes. The votes are logged within 24 hours, and the information is so detailed that it is possible to see each individual vote and for each fund.

Objectives of corporate governance

We believe that sound corporate governance is essential to creating value in companies, adding value for unitholders. NAM's Corporate Governance Principles focus on increasing transparency and openness in contacts between the company and its shareholders. Our 2022 principles document also defines how we view transparency and what level of openness we expect from the companies we invest in. An important factor in the Funds' ownership responsibility is to promote sound administration and to safeguard the common interests of unitholders. A healthy, long-term development in the administration of the investee companies' benefits

shareholders, employees and other stakeholders alike. The goal is to increase the return on fund investments and ensure smoothly functioning, reliable capital markets.

An active ownership policy is a key aspect of Responsible Investments

Voting and engagements are important aspects of working with responsible investments, an area where Nordea aims to be a leader. The Corporate Governance team therefore cooperates very closely with NAM's RI Team, which oversees our work on responsible investment together with the investment organisation. The teams maintain an ongoing ESG dialogue with companies – pre- and post-AGM – to get a better understanding and push for continued improvements. We place particular emphasis on our focus areas – climate, good governance, human rights and biodiversity. We see more and more shareholder proposals relating to environmental issues and climate impact reporting and the support for these type of resolutions are also increasing. It is welcomed that interest in these issues is growing each year and that an increasing numbers of companies are supporting shareholder proposals around these questions. As a signatory of the UNPRI, we have hence undertaken to integrate factors such as environmental, social and governance (ESG) in our investing activities, and have joined a number of organizations in this area, including the Net Zero Asset Managers initiative, IIGCC, Climate action 100+, CHRB and SASB. We will continue to evolve our approach to vote against directors for climate and human rights reasons and to use voting and/or shareholder resolutions to escalate lack of progress in company engagement.

The goal for voting and other corporate governance matters is to take place with as broad a mandate as possible in order to address company specific issues, major systemic risks and ESG factors. In 2018, NAM signed up to International Corporate Governance Network's (ICGN) general corporate governance guidelines when they were launched. Our corporate governance principles and RI policy are



subject to a formalized annual review process. The aim is to evaluate whether our policies continue to meet best practice in the industry, meet client expectations and reflect our internal processes accurately. The review includes monitoring of any updates to signed stewardship codes or RI-related memberships that may imply certain commitments. The review has led to changes in the responsible investment policy in relation to our climate commitments and other positions.

ISS provide the Corporate Governance team with proxy voting support services and voting recommendations based on our Corporate Governance Principles. We perform regular due diligence to ensure operational integrity, quality of research and implementation of the Nordea custom voting policy.

In order to ensure ethical conduct in our engagement with companies, we follow a clearly defined process if material non-public information is obtained. For instance, when members of our team are involved in the nomination process of board directors they follow our procedure to avoid dissemination or abuse of non-public information.

Nordea's engagement policy outlines our approach to identifying and managing conflicts of interest. The approach is based on the Conflict of Interest procedure.

2022 voting season overview

In 2022, we voted at about 3 900 General Meetings on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programmes and capital structure. This is a small decline compared to last year, mainly due to the high number of extra general meetings in 2021 due to the pandemic. The outcome in 2022 is well above our target of 90% of possible voting. Increasingly we are being invited by companies in the Nordics to join their nomination committees. Membership of nomination committees is a very efficient way to engage with the companies we have large holdings in, and it enables us to drive real change – for instance on the Board gender ratio. During 2022 we were represented in 40 nomination committees in four countries, in line with previous years. We also strive to introduce ownership-led Nomination Committees in other countries, and we have been successful several times in doing so.

Voting & Engagements

We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. We are convinced that ensuring good ESG practices in our funds' holdings is an important part of safeguarding the long-term interests of shareholders and society. When we want to improve a company's management of its ESG risks, we exercise our ownership rights to support and influence the company. Sound corporate governance contributes to shareholder value and adds value to equity investments. Our Corporate Governance team is responsible for defining and executing our corporate governance



policy, and the Corporate Governance Principles guide the way we vote, act in nomination committees and which issues we decide to engage with companies in.

Every year, we vote and engage on a myriad of issues and on some we have a focused stance. For instance, we strongly believe that the Chief Executive should not be the same person as the Chairman of the Board. One of the most important tasks of a company's Board of Directors is to oversee and evaluate top management, and in our view this aspect potentially becomes compromised if there is a CEO/Chairman of the Board combination. Over the last couple of years, we have supported many proposals to split the roles, including in companies like Cisco, Meta and Amazon.

We regularly engage with companies to explain our voting rationale, and we try to be as proactive as possible to get companies, if possible, to alter proposals in line with our principles. Furthermore, we are strict when it comes to remuneration proposals containing time based awards. Just showing up for work should not be the foundation for a Long Term Incentive Program, and accordingly we disapprove of any pay package containing a large part of time based compensation.

We see an increasing number of non-financial KPIs being introduced into compensation programs, which we expect to see more of in the future. Our view is that it enables the company to tie part of the compensation to, for instance, ESG-related criteria – but it is important that the criteria's proposed are relevant, transparent and the goals challenging.

We also generally vote against any proposal to limit minority rights, such as higher threshold to call extraordinary general meetings, or limiting the ability for shareholders to vote or express their views. We are happy to see an increasing number of shareholder proposals regarding lowering such

thresholds, and we generally support such initiatives. It is interesting and encouraging to see the number of shareholder proposals on climate and social issues continue to increase over time. The Corporate Governance team works very closely with the Responsible Investments team and Portfolio Managers to align the stewardship work on these and all other issues.

This year we co-filed shareholder proposals aiming at increased transparency on where the company pay taxes at the general meetings for ExxonMobile, Chevron and Microsofts. In the proposals we requested that the Board of Directors should issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard. We also co-filed a proposal at Alphabet's (Google) annual general meeting requesting that the Board of Directors commission an independent assessment of the role of the companies Audit and Compliance Committee ensuring effective Board oversight, of material risks to public well-being from the company's operations.

We invite companies to discuss issues on which NAM's views differ from the board's proposals before the general meeting to give the company the opportunity to change their proposal. Some companies asked additional questions about the application of voting instructions to clarify our view. A number of companies also explained their general meeting proposals in accordance with Nordea's voting instructions more actively than before, while other companies chose to change their proposals. Together with other institutional investors we have also convinced companies to withdraw proposals that were impossible for us to support and instead put forward revised proposals. NAM take a positive view on close contacts between companies and large owners regarding proposals at general meetings.

Environmental issues

This season we saw a record number of both climate related resolutions as well as management-sponsored 'Say on Climate' votes. Nordea Asset Management is a co-signatory to IIGCC's Investor Position Statement calling on companies to disclose a net zero transition Plan and provide a routine vote on the implementation of the plan in the form of a 'say on climate'. This season we supported several resolutions calling for such annual advisory votes.

Say on Climate votes represent an opportunity for us to signal our approval or voice concerns over a company's climate action plan. For example, we decided to vote against Equinor's Transition plan, on the grounds that it does not include a clear phase out of oil exploration activity and in line with our view that Equinor's capital expenditure needs to shift more quickly into clean solutions, and also more quickly away from carbon-intensive infrastructure if it is to transition at a scale and pace in line with societal ambitions of limiting global warming to 1.5 degrees.

This season also saw many resolutions requesting banks to phase out investments in new fossil fuel supply. We recognize the need to restrict the financing of new fossil fuel supply and generally supported resolutions that enact this unless proposals as stated were considered too prescriptive in its wording and impractical to implement timewise.

Social proposals

Especially in American companies we see a steady increase in shareholder proposals on social issues, often related to diversity and human rights. This year we supported proposals in the social category in, among others, Meta, Alphabet and Twitter. The proposals focused on a requirement to find Independent Director Nominees with human- and/or civil rights experience. These companies have faced multiple issues in the human rights area, including the handling of hate speech and possible detrimental effects on civil rights stemming from the companies' technology, which pose a risk to shareholders.

Nordea has met with Amazon on several occasions to discuss their human rights approach, responsible tax and how we vote at their AGMs. In January 2022 we co-signed an investor letter addressed to the Chair of Amazon's Nominating and Corporate Governance Committee on worker representation and freedom of association, internationally recognized human rights.

On 24 May 2022 we had a pre-AGM meeting to discuss among other things the shareholder proposals asking for a Report on Protecting the Rights of Freedom of Association and Collective Bargaining. At the AGM in May 2022, we voted in favor of the shareholder proposal and also against Chair Jeff Bezos for poor board oversight of ESG risk exposures at the firm. The Proposal received strong support and was supported by 39% of the overall vote cast and 47% of independent shareholders.

Initiatives from institutional owners

Together with Nordea's portfolio managers in the investment organisation we have also been in dialogue with individual companies about strategy and our view of the company's development. This dialogue takes place both privately and/or together with other significant owners. Much focus this season has been on changing remuneration proposals due to the ongoing pandemic.

Private share issues/resale of repurchased shares

It is common for boards to seek authorisation to carry out placements, and increasingly frequent in combination with authorisation to resell previously repurchased shares. NAM generally encourage companies to be cautious with regard to placements and are actively engaging a number of companies in dialogue about these issues. NAM generally vote against proposals regarding total authorisation exceeding 10% of outstanding shares in the company if there are no pre-emptive rights for existing shareholders.

Multiyear board authorisation

A growing number of Nordic companies are proposing multiyear authorisation for boards to issue new shares or repurchase shares. Internationally, multiyear authorisations for boards in various sectors are common in certain countries. NAM's view is that authorisations for boards from annual general meetings shall only be valid until the next annual general meeting, i.e. for one year. We also see this trend in other countries, and actively aim to ask companies to maintain only one year mandates.

NAM's ownership policy is based on openness and we encourage our clients to read the corporate governance policy, which is available on the NAM's website and on the [Voting Portal](#).

Examples of important votes 2022

COMPANY	DATE OF VOTE	SUMMARY	OUR VOTE	RATIONALE FOR THE VOTING DECISION	OUTCOME
Walt Disney Company	9-Mar-22	Reduce ownership threshold for shareholders to call special meeting	FOR	We believe that lowering the threshold to call special meetings would enhance the rights of shareholders.	AGAINST
A.P. Moller-Maersk A/S	15-Mar-22	Approve remuneration report	AGAINST	We voted against the proposed remuneration program as the value in the program were not attached to any attached performance measures.	FOR
Topdanmark A/S	24-Mar-22	Require that Topdanmark joins the International Investor Coalition Net Zero Asset Owner Alliance	FOR	We think that the shareholders would benefit from a stronger alignment between the company's stated goals and its actions regarding corporate responsibility.	AGAINST
Ericsson	29-Mar-22	Approve discharge of supervisory board members	AGAINST ALL	In October 2021, the US prosecutors determined that Ericsson had breached the obligations under the Deferred Prosecution Agreement related to potential bribes paid in Iraq previously. At the AGM we voted against discharge of responsibility for the entire Board and the CEO as we did not have enough of information on the nature and reason for the breaches of settlement with Department of Justice.	FOR
Meta platforms	22-May-22	Elect Director Mark Zuckerberg	AGAINST	We voted against the election of Mark Zuckerberg since significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks. We also think that roles of CEO and Chair should be separated. We supported several shareholder proposals at the AGM.	FOR
Amazon.com	25-May-22	Report on protecting the rights of freedom of association and collective bargaining	FOR	We think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.	AGAINST

COMPANY	DATE OF VOTE	SUMMARY	OUR VOTE	RATIONALE FOR THE VOTING DECISION	OUTCOME
Exxon Mobil Cooperation	25-May-22	Set GHG emissions reduction targets consistent with the Paris Agreement Goal	FOR	We think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.	AGAINST
Walmart	01-Jun-22	Report on lobbying payments and policy	FOR	We think that disclosure of the company's direct and indirect lobbying expenditures and decision-making process, along with its public policy priorities and trade association payments, would allow shareholders to better assess the risks and benefits associated with the company's participation in the public policy process.	AGAINST
Alphabet	01-Jun-22	Report on managing risks related to data collection, privacy and security	FOR	At the Alphabet AGM we supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.	AGAINST
FedEx Corporation	19-Sep-22	Report on climate lobbying	FOR	It is our understanding that an assessment of the alignment between the company's lobbying activities and the goals of the Paris Agreement would give shareholders a better understanding of the company's management of its lobbying activities and any related risks and benefits.	AGAINST