

Sustainability Report

Nordea 1 – Global Climate and Environment Fund*

Fourth quarter 2020



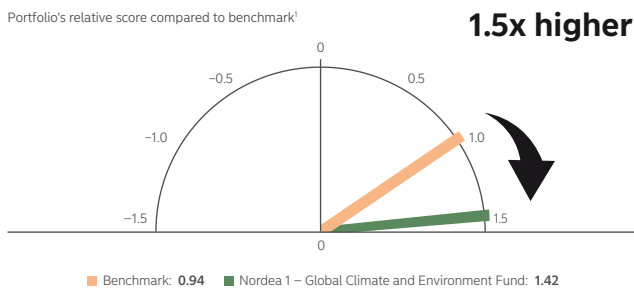
Nordea 1 – Global Climate and Environment Fund

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, as 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 1.5x 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

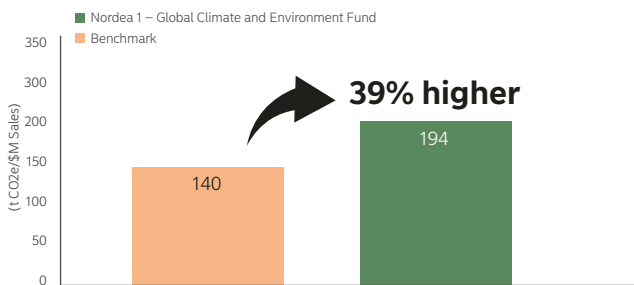
1. Vestas Wind System (DK, Renewable Energy & Energy Efficiency Equipment). The company mainly contributes to the environmental objectives 'Contributing to Sustainable Energy Use' and 'Mitigating Climate Change' as the company is a leader in wind turbine solutions.

2. Siemens Gamesa Renewable Energy S.A. (SP, Renewable Energy & Energy Efficiency Equipment). The company mainly contributes to the environmental objectives 'Sustainable Energy Use' and 'Mitigating climate change' through the provision of wind power equipment and projects.

3. Tomra Systems (NO, Machinery). The company mainly contributes to the environmental objective "Optimal material use" due to the provision of reverse vending machines, recycling equipment and related services which contribute to a circular economy.

Carbon intensity

The fund has a carbon footprint 39% higher than the benchmark.



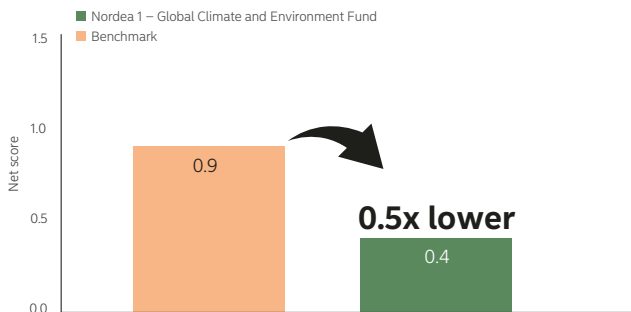
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Notes	
Benchmark	MSCI World Index
Portfolio coverage	96%
Benchmark coverage	100%
Portfolio holdings	55

Note: Scope 1 & 2. Preliminary data as at 31.12.2020. 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 0.5x lower than the benchmark.



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

Top 3 social objectives

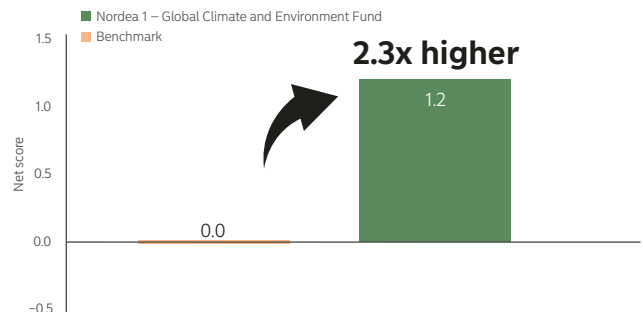
1. Ensuring health
2. Providing basic services
3. Safeguarding peace

Main SDGs exposure



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 environmental objectives

1. Mitigating climate change
2. Contributing to sustainable energy use
3. Conserving water

Main SDGs exposure



Portfolio Company highlight: Tomra Systems

Tomra Systems provides sensor-based solutions for optimal resource productivity worldwide. It operates through Collection Solutions and Sorting Solutions segments. The Collection Solutions segment develops, produces, sells, leases, and services automated recycling systems, including data administration systems that monitor the volume of collected materials and associated deposit transactions.

The company is also involved in picking up, transporting, and processing empty beverage containers on behalf of beverage producers/fillers. This segment offers its solutions to the food retail industry in Europe and the United States. The Sorting Solutions segment provides sorting and processing technology for the fresh and processed food industries; sorting systems for waste and metal material streams; and ore sorting systems for the mining industry. Tomra Systems ASA was founded in 1972 and is headquartered in Asker, Norway.

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: $(\text{Portfolio score} + 1) / (\text{Benchmark score} + 1)$. 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.

Climate Solutions Insight






The **Nordea 1 – Global Climate and Environment Fund** is:

- A fund whose core theme is companies that provide solutions to global challenges regarding climate change and the environment
- A thematic portfolio leveraging a long-term megatrend supported by multiple drivers (economic, environmental, corporate and consumer)
- A concentrated, global bottom-up equity fund, with mid-cap growth bias (40-60 stocks)

The fund has a long track record, and has been managed by the same investment team since 2008.

This document section some of the portfolio holdings and how they contribute towards climate solutions and environmental protection. The table below highlights which Clusters – thematic groups of Strategies – and which Strategy within each Cluster each holding belongs to. In addition, the table exemplifies how each holding is related to one of the UN’s Sustainable Development Goals (SDGs)³.

Sample portfolio holdings⁴

Company	Why is it a climate solution?	N1 – GCLIMEF Cluster / Strategy	Primary SDG ³
Trimble	Trimble is a technology and software provider, whose solutions allow users to collect, manage and analyse information in an easier and faster way. This translates into more efficiency and productivity. Trimble solutions are mostly used in the construction industry, but also on the agricultural and transportation sectors.	Resource Efficiency Intelligent Construction	
Waste Management	Waste Management generates revenues through the provision of waste services . Further, the use of landfill gas for energy generation creates additional value from waste and contributes to meeting rising energy demands. In addition, Waste Management is engaged in recycling activities and aims to increase the amount of recycled materials. The company also promotes recycling among residential, commercial, industrial and municipal customers.	Environment Protection Waste Management	
Thermo Fisher Scientific	The company provides laboratory, diagnostics and analytical solutions to enable its customers to make the world healthier, cleaner, safer and accelerate scientific research. Growth is increasingly driven by environmental services like testing of air and water, as well as higher regulatory requirements for food & beverage products, development of new materials and detection of harmful substances in consumer, industrial and pharmaceutical applications.	Environment Protection Environment Services	
ASML Holdings	ASML is the largest global supplier of photolithography systems used by chipmakers for processes that enable innovative technology solutions for our society. ASML’s advanced equipment makes computing cheaper and reduces energy consumption across multiple applications from Automation Technology to Cloud Servers and Zero-Emission Vehicles.	Resource Efficiency Energy Efficiency	
American Water Works	American Water Works is one of the largest water and wastewater utilities in the US and will be a clear beneficiary of increasing US water infrastructure spending. The company is providing clean, safe, reliable and affordable water services and will help to improve, restore and protect the US water supply.	Environment Protection Clean Water and Air	

The UN’s Sustainable Development Goals are a series of thematic targets the UN identified in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The fund does not directly target these SDGs, but they offer an objective framework against which we highlight quickly how each company fits the Climate and Environment theme.

Trend on the spotlight:

Investing in biodiversity for a better future



Our society significantly relies on nature's biodiversity as we extract trillions in benefits from our ecosystems each year. We, humans, are highly dependent on a rich and varied biodiversity. Given the current trends in population growth, such dependency will grow even more in the coming decades. However as biodiversity is declining at a rapid pace, more and more species are at risk. The planet's natural balance is being jeopardized due to the impact humanity has on the ecosystem.

Abundant biodiversity is vital for our daily lives, especially for fruit and vegetable production, but also food ingredients, medicinal substances, as well as a well-functioning, clean and rich nature around us that provides the right living conditions for us humans. With biodiversity in decline, the society started to pay more attention to the burgeoning concept of natural capital which is the world's stock of natural resources and all living organisms. The concept behind natural capital is that non-human life produces goods and services which are essential for life, and hence essential to the sustainability of the economy.

Considering natural capital will enable investors and decision makers to reward projects and products with positive environmental outcomes. We believe this will not only contribute to a better future but also unlock significant investment opportunities, while companies not focusing on the issue will face increasing risks to their business. The World Economic Forum calculates that by tackling nature loss, the world could unlock business opportunities worth USD10tn each year.

How do we benefit from this trend?

The Nordea 1 – Global Climate & Environment fund takes biodiversity issues into consideration on several levels. First, some of our strategies such as Sustainable Forestry, Smart Farming and Green Consumerism focus on companies that offer solutions to preserve biodiversity and natural ecosystems. Second, as an essential focus point of our company fundamental & ESG analysis, we focus on biodiversity as one of the key aspects, which then also becomes part of our engagement efforts with companies.

Our portfolio holding Weyerhaeuser, the largest private owner of timberland in North America, is an example of best practice in terms of sustainable forest management. Forests are crucially important for both biodiversity conservation and climate mitigation.

Another portfolio holding is the global natural ingredients maker Symrise, that provides flavour, nutrition and fragrance solutions with very high biodiversity and ethical standards across its operations including its supply chain. Its commitment to biodiversity is exemplified by the bee colony it maintains, located close to its headquarters in Germany.

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	—

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