

Sustainability Report

Nordea 1 – Global Climate and Environment Fund

Third quarter 2020



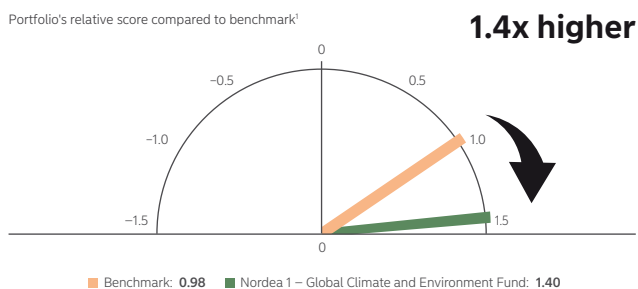
Nordea 1 – Global Climate and Environment Fund

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.

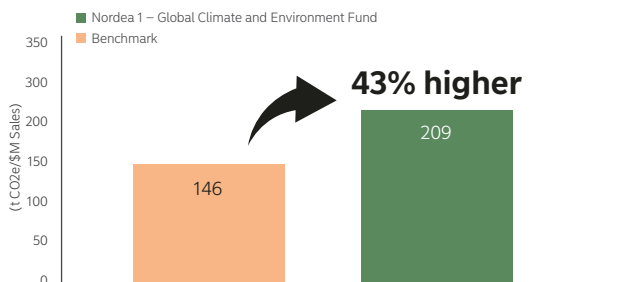
The contribution of the portfolio to the 15 objectives (social and environmental) is 1.4x higher than the benchmark.



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

The fund has a carbon footprint 43% higher than the benchmark.



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. American Water Works (US, Utilities/Environmental Services). The company mainly contributes to the environmental objective 'Conserving Water' and the social objective 'Ensuring Health' through the provision of water and wastewater services.

3. 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.

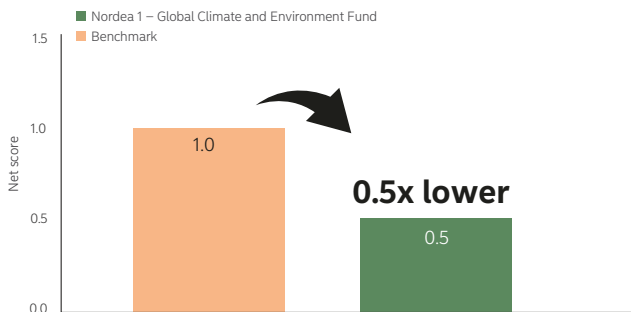
Notes

Benchmark <small>(for illustrative purposes only as the fund has no official benchmark)</small>	MSCI World Index
Portfolio coverage	96%
Benchmark coverage	100%
Portfolio holdings	54

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

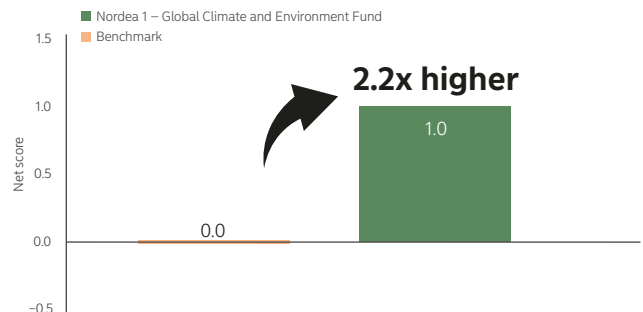
The contribution of the portfolio to the 7 social objectives is 0.5x lower than the benchmark.



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 2.2x 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. Providing basic services
3. Safeguarding peace

Main SDGs exposure



Top 3 environmental objectives

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

Main SDGs exposure



Portfolio Company highlight: Enel

Enel SpA is an Italy-based multinational power company and an integrated operator in the global power, gas and renewables markets. It is active in Europe and is present in more than 30 countries, producing energy with over 86 gigawatt (GW) of installed capacity.

Enel distributes electricity through a network of over 2.2 million kilometers, supplying 74 million business and household end users globally. Enel's renewables arm Enel Green Power supplies energy with more than 46 GW of wind, solar, geothermal and hydropower plants installed in Europe, the Americas, Africa, Asia and Oceania. Enel X is Enel's global business line focusing on energy-related products and services including distribution systems and batteries, smart lighting and energy and electric mobility.

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.

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

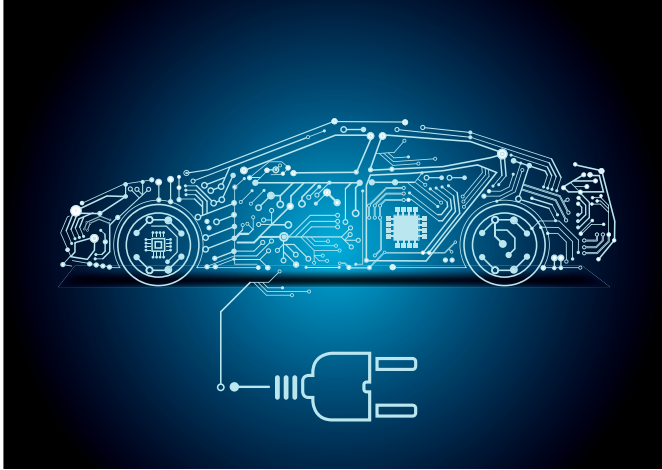
Company	Why is it a climate solution?	N1 – GCLIMEF Cluster / Strategy	Primary SDG ³
Chart Industries	Chart provides equipment for liquefaction, transportation, storage and fueling (heat exchangers, cryogenic pumps) – essentially providing products for the entire hydrogen value chain. Hydrogen will play an increasingly vital role in building a cleaner future and accelerating the energy transition towards a more decarbonized energy system.	Resource Efficiency Energy Efficiency	
Daikin Industries	Daikin Industries, Ltd. is a leading innovator and provider of advanced, high-quality air conditioning solutions for residential, commercial, and industrial buildings. Daikin will reduce greenhouse gas emissions by 60 million tons CO ₂ by promoting environment-conscious products using more efficient inverter technologies and low environmental impact refrigerants throughout the world.	Resource Efficiency Intelligent Construction	
Zhuzhou CRRC Times Electric	Zhuzhou CRRC Times Electric is one of the biggest railway equipment solution providers. Through their offerings, they contribute to more eco-friendly transportation via electric trains, metro lines and electric vehicles.	Resource Efficiency Eco-Mobility	
Cleanaway Waste Management	Cleanaway’s value chain limits the adverse effects on the environment by focusing on increasing resource recovery and “waste-to-energy”. Cleanaway actively contributes to the shift towards a more circular economy and a better climate through more recycling and generating renewable energy instead of landfilling and exporting the waste.	Environment Protection Waste Management	
Vestas Wind Systems	Vestas has ~20% market share globally and leading turbine solutions for both on- and off-shore wind sites. Wind power has some of the lowest environmental impacts of any source of electricity generation. Unlike conventional sources, wind power significantly reduces carbon emissions, saves billions of gallons of water a year, and cuts pollution that creates smog and triggers asthma attacks.	Alternative Energy Wind	

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.

3) This refers to the UN’s Sustainable Development Goals (SDG), which are laid out on the next page. 4) Source: Nordea Investment Funds S.A. as at 30.06.2020.

Trend on the spotlight:

The electrification of transport: the new revolution



We are at the early stage of a transportation revolution where battery-powered and self-driving cars, trucks, trains, motorcycles and bikes will continue to increase in popularity. While globally electric vehicles (EVs) still represent less than 10% of global car sales, this could exceed 50% by 2030. As the trend is gaining traction worldwide, Europe saw internal combustion sales fall by 56% and EV sales rise 46% in the first half of 2020.

Rapid advances in battery technology and scale are driving improved EV economics, which in turn is driving demand. Car original equipment manufacturer (OEM) incumbents are jumping on board, trying to develop the best offering to win future customers.

The overarching decarbonisation driver for electrifying transport is strengthening in Europe with Net Zero policies which are likely to bring forward ICE bans and/or introduce carbon pricing on petrol/diesel. These new EU emission regulations will require a CO₂ reduction of 38% by 2030 compared to today.

In China, the dual-credit policy started to kick in more seriously in 2020, and in December 2019 the government increased its new energy vehicle (NEV) target for 2025 from 20% to 25% (vs. 4.3% in 2019). Penalties for missing these targets could be severe.

Electrified vehicles will need about USD 400 each in incremental semiconductor content with power semiconductors content taking a large share of it. The demand for power semiconductors is estimated to increase by six times.

How do we benefit from this trend?

We are witnessing tremendous potential in semiconductor companies providing power management, sensor and digital solutions for electric vehicles, such as our holdings Infineon, Monolithic Power and ON Semiconductor.

But electrification of transport does not stop with cars, another interesting trend is steadily increasing urbanisation and more eco-friendly transportation via electric trains, metro lines and trams. A key beneficiary of this development is our recently added Chinese railway equipment solution provider Zhuzhou, which it's well positioned as it not only manufactures railway equipment but is also gaining share with their in-house developed power management business.

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

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

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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