10 March 2021

1. Introduction

The following is the adverse sustainability impact statement of Nordea Funds Ltd, including its branches in Sweden, Norway and Denmark ("Nordea Funds"). The adverse sustainability / principal adverse impact statement is a statement describing how financial market participants take the principal adverse impacts into account when making investment decisions, on a comply or explain basis.

Nordea Funds has delegated portfolio management, and effectively the decision-making related to funds' investments, to Nordea Investment Management AB ("NAM"), an investment firm belonging to the Nordea Group. Based on that appointment, NAM, as investment manager, is the entity taking all the investment decisions for the UCITS funds and AIFs managed by Nordea Funds. Therefore, Nordea Funds is not considering the principal adverse impacts on sustainability factors ("PAI") of investment decisions but encourages and strongly supports NAM as its appointed investment manager to do that, covering all funds managed by Nordea Funds.

The investment manager assesses the environmental and social impact of the activities of all investee companies on an ongoing basis through the PAI integration due diligence process. Companies considered as outliers on one or more PAI indicators are analysed further by NAM's Responsible Investments ("RI") team and a recommendation for action is made to NAM's Responsible Investments Committee ("RIC") in a process similar to the one applied for norms breaches. For more information, please refer to our Responsible Investments Policy. Additional PAI integration can take place at the individual investment strategy level.

This statement applies as of 10 March 2021. The statement will be reviewed at least annually. The sections 2. – 6. below describe how NAM considers PAI on sustainability factors on a practical level in the investment decision-making.

2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. NAM aims to manage the risk connected to potential adverse sustainability impact from its investments in several ways, including general screening criteria, surveillance of norms breaches and NAM's proprietary environmental, social and governance ("ESG") scoring system. In addition, NAM monitors and evaluates a range of PAI indicators. As the availability of data improves, it is the intention that more indicators will be added.
The indicators currently monitored and evaluated include:

<table>
<thead>
<tr>
<th>Theme</th>
<th>PAI indicator</th>
</tr>
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<tbody>
<tr>
<td><strong>Greenhouse gas emissions</strong></td>
<td>Carbon emissions (including agriculture, forestry, and other land use emissions)</td>
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<td></td>
<td>Carbon footprint</td>
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<td>Weighted average carbon intensity</td>
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<td>Solid fossil fuel sector exposure</td>
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<td><strong>Biodiversity</strong></td>
<td>Deforestation</td>
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<td><strong>Water</strong></td>
<td>Exposure to areas of high water stress</td>
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<tr>
<td><strong>Waste</strong></td>
<td>Non-recycled waste ratio</td>
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<tr>
<td><strong>Social and employee matters</strong></td>
<td>Implementation of fundamental ILO Conventions</td>
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<td></td>
<td>Gender pay gap</td>
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<td></td>
<td>Board gender diversity</td>
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<tr>
<td></td>
<td>Investment in investee companies without workplace accident prevention policies</td>
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<tr>
<td><strong>Human rights</strong></td>
<td>Human rights policy</td>
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<tr>
<td></td>
<td>Due diligence</td>
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<tr>
<td></td>
<td>Operations and suppliers at significant risk of incidents of child labour</td>
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<tr>
<td></td>
<td>Operations and suppliers at significant risk of incidents of forced or compulsory labour</td>
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<tr>
<td></td>
<td>Number and nature of identified cases of severe human rights issues and incidents</td>
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<td></td>
<td>Exposure to controversial weapons (e.g. cluster bombs)</td>
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<tr>
<td></td>
<td>Anti-corruption and anti-bribery policies</td>
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<tr>
<td></td>
<td>Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery</td>
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<tr>
<td></td>
<td>Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws</td>
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</table>

3. Description of policies to identify and prioritise principal adverse sustainability impacts

Subject to data availability, NAM’s RI team monitors the selected PAI indicators for all assets managed by NAM on an ongoing basis using an internally developed monitoring system. Companies that are outliers on specific indicators, or which exhibit high adverse impact across several indicators, are identified based on data acquired from third party providers and/or internal analysis. These companies are subject to further analysis by the RI team, which will escalate relevant cases to the NAM Responsible Investments Committee (RIC). Furthermore, PAI is an input into NAM’s internal ESG scoring methodology, which is applied to a selection of NAM’s products. Finally, PAI data is used by some of NAM’s internal investment boutiques as a direct input into the investment process.
4. Description of actions to address principal adverse sustainability impacts

NAM's RI team maintains NAM's PAI monitoring system and identifies cases for analysis and potential action at entity level. Once these have been analysed by the RI team, they are – where relevant – referred to the RIC. The RIC then decides on the concrete actions to be taken in each case.

Methodologies and data used to assess each principal adverse impact

ESG Safeguards

NAIM's responsible investment framework also comprises a baseline integration of ESG safeguards. The ESG safeguards consist of norm-based screening and exclusion lists, implemented across our product range to ensure the portfolio meets a minimum standard independent of the individual portfolios' ESG ambitions.

Further, a continuously growing part of our product range include additional ESG features. Depending on the investment strategy, the portfolio could for example exclude certain sectors, select securities with higher ESG standards, or invest thematically.

PAI monitoring

The PAI monitoring model applies a risk-based approach. First, an investee company PAI indicator performance is assessed. Subsequently, issuers are ranked on their PAI indicator performance, both for individual indicators as well as across indicators. The output of the total assessment and ranking results in a flag indicating the performance of each investee company. The investee companies flagged for poor performance, either overall or on individual indicators, are then analysed by the RI team.

The assessment and performance ranking are performed using NAM's proprietary PAI model which applies a combination of multiple datapoint values, scores and weights sourced from several data providers. For a given indicator, multiple data sources may be used. In these cases, the source considered to be most appropriate is selected. The indicator importance is prioritised according to parameters reviewed and maintained by ESG analysts in the RI team. These parameters consider various aspects that may impact the performance of the model, including data quality, data freshness and history, data coverage, aspects of the methodology of the data providers, the materiality of the indicator's subject matter, and divergence of indicator values.

The worst performing issuers ("negative outliers") identified by the model will be analysed by the RI team and where relevant escalated to the RIC, which will identify and decide on the appropriate action. Cases may also be triggered by internal analysis, based on information/data from other sources. The range of possible actions consists of the following:

- **Engagement**: The investee company is identified as a candidate for an engagement case. This can be due to various reasons such as the issuer’s PAI performance overall or on certain indicators, or low data coverage for the investee company compared to benchmark. The RI team engages with the investee company and tracks performance after the engagement based on KPIs related to the challenges at hand relevant for PAI.

- **Exclusion**: The investee company is deemed not eligible for investments across NAM’s portfolios, and is added to the exclusion list.
• No action: The PAI indicator level of the investee company is deemed acceptable or judged not to reflect the actual ongoing performance of the company, and no further action is needed at this point. The investee company will continue to be assessed on an ongoing basis.

In deciding the appropriate action, the RIC considers, among other things, the severity and scope of individual adverse impacts, and the probability of occurrence and severity of adverse impacts, including their potentially irremediable character.

5. Actions taken or planned in relation to PAI

NAM has a long history of ESG integration, norms-based exclusions, and ESG-themed engagement. For further information, please refer to Nordea Asset Management’s Responsible Investment Annual Report, and the exclusion list. In addition, NAM conducts its voting activities through Nordea Funds which can be accessed via the voting portal.

6. Engagement policy summary

On behalf of its clients, NAM undertakes a range of engagement activities with investee companies in order to affect and influence these to improve their ESG-related practices, including promoting a long-term approach to decision-making. The active ownership tools include voting, attending annual general meetings (AGMs), contributing to the development of industry ESG standards, direct engagement with companies and the filing of shareholder resolutions.

NAM’s engagement with investee companies falls into three main categories: thematic, norms and investment-led. These engagement types may overlap and be applied to a given company simultaneously.

Thematic engagements may be undertaken either by NAM alone or in collaboration with other asset managers and asset owners. Collaborative engagements can take place within the framework of industry initiatives such as Climate Action 100+, Sustainability Accounting Standards Board (SASB), The United Nations Principles for Responsible Investment (PRI), CDP or Investor Alliance for Human Rights, or through ad hoc initiatives. NAM will in some cases initiate and lead such ad hoc investor alliances. NAM’s thematic engagements will typically concern issues under one of the core areas of interest identified in NAM’s ESG strategy:

• Climate
• Human rights
• Good corporate governance
• Biodiversity/water

Norms-based engagements are triggered by observed norms breaches, PAI red flags or other serious negative information, as described above.

Investment-led engagements are initiated and executed at the individual investment strategy level.
In tandem with our direct engagement with companies, NAM votes as many AGM’s as practically possible, prioritizing votes related to the four core areas listed above while in general insisting that companies:

1) Act in the long-term interest of shareholders, other stakeholders and society at large,
2) Safeguard the rights of all shareholders,
3) Ensure an efficient and independent board structure,
4) Align incentive structures for employees with the long-term interest of shareholders, other stakeholders and society at large
5) Disclose information to the public in a timely, accurate and adequate manner, and
6) Ensure high social, environmental and ethical standards and accountability.

For more information, please refer to NAM’s Engagement Policy and Nordea Funds’ Corporate Governance Principles.

7. References to international standards

NAM’s application of PAI builds on the United Nations Sustainable Development Goals (SDG’s) and relevant international conventions and norms, including, but not limited to:

- United Nations Global Compact,
- OECD Principles of Corporate Governance,
- OECD Guidelines for Multinational Enterprises,
- Universal Declaration of Human Rights,
- UN Guiding Principles on Business and Human Rights,
- Children’s Rights and Business Principles,
- ILO conventions on labour standards,
- Rio Declaration on Environment and Development,
- UN Convention on Corruption,
- Convention on Cluster Munitions,
- Paris Agreement under the United Nations Framework Convention on Climate Change.

In relation to the alignment with the Paris Agreement, NAM’s application of PAI includes a requirement for investee companies that are active in the most climate-critical sectors to demonstrate a credible transition strategy that is compatible with the Paris Agreement’s climate objectives. This includes assessments of their decarbonization pathways as well as their positive contributions to climate mitigation. As the methodologies for assessing this progressively reach greater maturity for a greater number of sectors, the number of companies subject to this requirement will grow.