

Template pre-contractual disclosure for financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Nordea 1 - Global Climate and Social Impact fund

Legal entity identifier: 549300M3BNRUZQFIEE11

Sustainable investment objective

Does this financial product have a sustainable investment objective?
 

☒
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 Yes

☐
☐
☐
 No

<div> <input checked="" type="checkbox"/>                     It will make a minimum of <b>sustainable investments with an environmental objective</b>: 25%                 </div> <div> <input checked="" type="checkbox"/>                     in economic activities that qualify as environmentally sustainable under the EU Taxonomy                 </div> <div> <input checked="" type="checkbox"/>                     in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy                 </div> <div> <input checked="" type="checkbox"/>                     It will make a minimum of <b>sustainable investments with a social objective</b>: 25%                 </div>	<div> <input type="checkbox"/>                     It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments                 </div> <div> <input type="checkbox"/>                     with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy                 </div> <div> <input type="checkbox"/>                     with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy                 </div> <div> <input type="checkbox"/>                     with a social objective                 </div> <div> <input type="checkbox"/>                     It promotes E/S characteristics, but <b>will not make any sustainable investments</b> </div>
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## What is the sustainable investment objective of this financial product?

The fund combines environmentally and socially sustainable investment objectives. It aims to create positive environmental and social impact by investing in companies that are involved in economic activities that are considered environmentally or socially sustainable by virtue of their contribution to one or more of the UN SDGs. The EU Taxonomy provides a framework for assessing the environmental sustainability of economic activities and to the extent the Taxonomy technical screenings and company data are available, the Taxonomy will be the reference point for the assessment of the environmentally sustainable investments.

The fund uses a benchmark which is not aligned with the sustainable objective of the fund.

The EU Taxonomy defines six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, waste prevention and recycling, pollution prevention and control, protection of healthy ecosystems and lists the economic activities that are considered environmentally sustainable for investment purposes. The alignment of the companies' activities with the objectives of the EU Taxonomy is identified and evaluated to the extent that data is available and of an adequate quality. Depending on the availability of feasible investment opportunities, the fund may contribute to any of the environmental objectives set out in Taxonomy Regulation.

### ● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The attainment of the sustainable investment objectives is measured by the alignment of sustainable investments with relevant UN SDG targets. For Taxonomy eligible activities where relevant data is available, the Taxonomy alignment will be measured. More information on the indicators can be found in the sustainability-related [website disclosures](#) in accordance with SFDR article 10.

### ● ***How do the sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The sustainable investments have passed a test determining that they do not significantly harm any other social or environmental objectives (DNSH test). NAM has developed a proprietary quantitative "PAI tool" that assesses the performance of NAM's full investment universe across multiple PAI indicators. The tool utilises a diverse range of data sources across numerous ESG thematic areas in order to ensure that investee companies' performance is appropriately analysed, using a rigorous in-house methodology. The output from the PAI tool is the basis for the DNSH test and the results are further enriched with additional third party data covering environmental and social factors to arrive at the test result.

### ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

PAI indicators are assessed in NAM's PAI tool and the results are a material part of the DNSH test.

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters.

***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?***

Alignment with the OECD guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is tested and assured as part of the process to identify sustainable investments using NAM's "PAI tool".



**Does this financial product consider principal adverse impacts on sustainability factors?**

☐ No,

☒ Yes, NAM's proprietary quantitative PAI tool assesses the performance of NAM's full investment universe across multiple PAI indicators. Portfolio managers are required to consider the negative consequences of their investment decisions as indicated by PAI indicators as part of the portfolio management process. The specific PAI indicators that are taken into consideration are subject to data availability and may evolve with improving data quality and availability.

Information on PAI on sustainability factors will be made available in the annual report to be disclosed pursuant to SFDR Article 11(2).



**What investment strategy does this financial product follow?**

A fundamental bottom-up research process identifies companies that derive significant future cashflows from their contribution to social or environmental solutions.

The fund invests in companies that are part of a proprietary investment universe of environmental solution providers and companies that contribute to social solutions. Companies in the investment universe are materially involved in economic activities that are considered environmentally or socially sustainable.

More information on the general investment policy of the fund can be found in the Investment Objective and Policy section of the prospectus.

***Active ownership***

On behalf of its clients, NAM undertakes a range of engagement activities with investee companies and corporate- and sovereign issuers in order to encourage them to improve their ESG practices, and promote a long-term approach to decision-making.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

### **Responsible Investment Policy**

A NAM level overlay of norms-based screening and exclusion list is deployed as baseline safeguards through NAM's Responsible Investment Policy that bans investments in companies active in the production of illegal or nuclear weapons and companies with exposure to coal mining exceeding a predefined threshold. Based on regular screenings, NAM's Responsible Investment Committee instigates appropriate action for any company that is allegedly involved in breaches of, or controversies around, international laws and norms. If engagement fails or is deemed futile investments may be put on hold or the company may be placed on the exclusion list. More information can be found on the website in the [Responsible Investment Policy](#) and the [Corporate Exclusion List](#).

#### ● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

- Proportion of investments that are aligned with the EU Taxonomy
- Proportion of sustainable investments as defined by NAM's proprietary methodology that identifies sustainable investments based on contribution to UN SDGs and/or Taxonomy-aligned activities.
- Sector- or value-based exclusions prevent investments into activities that are deemed to be inappropriate for the strategy. More information on the exclusion policy is available in the sustainability-related website information in accordance with SFDR article 10.
- NAM's Paris-Aligned Fossil Fuel Policy sets thresholds for companies' exposure to fossil fuel production, distribution and services. This means that the fund will not invest in companies with material involvement in fossil fuel production, distribution or services if they do not have a documented transition strategy that aligns with the Paris Agreement.
- The fund adheres to NAM's Responsible Investment Policy and does not invest in companies that are on Nordea's exclusion list due to violation of international norms or involvement in controversial business activities.

The binding elements are documented and monitored on an ongoing basis. Separately, NAM has in place risk management processes to control financial and regulatory risk and ensure appropriate escalation of any potential issues within a clear governance structure.

NAM conducts a thorough due diligence on external data vendors to clarify applied methodologies and verify data quality. However, as the regulation and standards of non-financial reporting is rapidly developing, data quality, coverage and accessibility remains challenging – especially for smaller companies and less developed markets.

#### ● **What is the policy to assess good governance practices of the investee companies?**

Good governance practices of investee companies is addressed in various layers of the security selection process. Governance safeguards are inherent in the NAM level norms-based screening as well as the NAM PAI processes. Additionally, at the fund level, companies are screened for good governance by assessing their employee relations, pay practices, management structures and tax compliance. In respect of sovereign issuers, the assessment of good governance practices is based on three pillars; 1) The principles of governance (democratic governance), 2) Execution of governance and 3) Efficiency of governance.

### **What is the asset allocation and the minimum share of sustainable investments?**

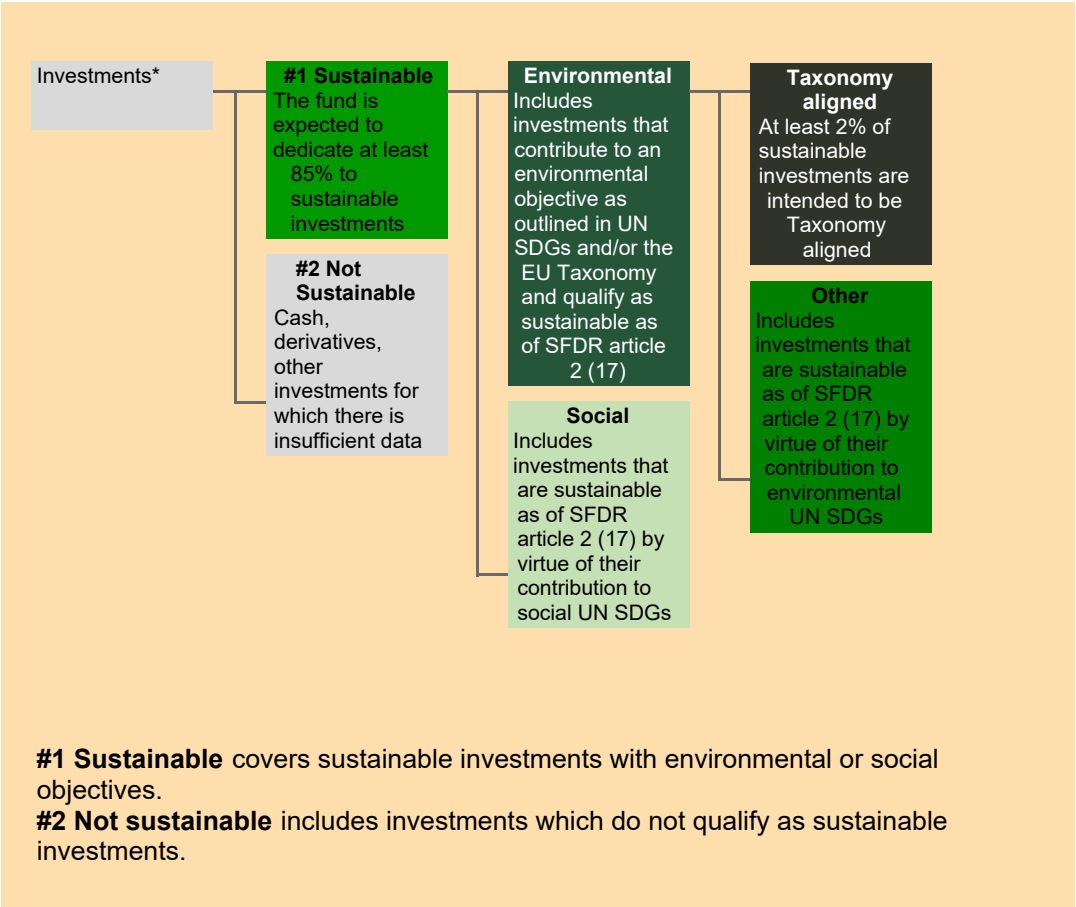
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



\*Investments means the fund's NAV which is the total market value of the fund.

The asset allocation may change over time and percentages should be seen as an average over an extended period of time. Calculations may rely on incomplete or inaccurate company or third party data.



**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

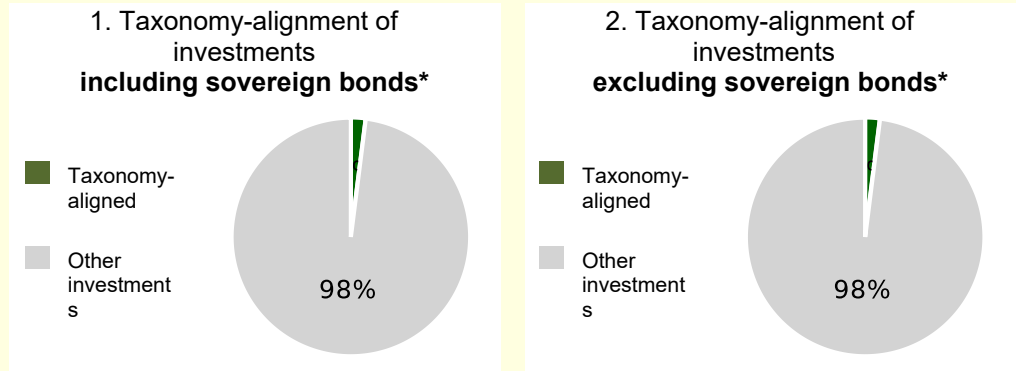
Based on currently available data and estimates, a minimum of 2% can be classified as aligned with the EU Taxonomy. Mandatory alignment reporting for companies only start in 2023 via the Non-Financial Reporting Directive. In the meantime publicly reported company data is lacking and assessments rely on estimated data which is less reliable and may distort reported numbers. While actual proportions of Taxonomy-aligned activities may be higher, we are currently only able to commit to very conservative levels.

The compliance of the investments with the taxonomy has not been subject to an assurance by auditors or a review by third parties.

Taxonomy eligibility and alignment are calculated and provided by third-party data providers. The methodology applied by the third-party data providers assesses how companies are involved in economic activities that substantially contribute to an environmental objective while not significantly harming other sustainable objectives and meeting minimum social safeguards.

Taxonomy-alignment of the investment is based on the percentage of turnover exposed or potentially exposed to taxonomy-aligned activities. Data providers' methodologies vary and results may not be fully aligned as long as publicly reported company data is still lacking and assessments rely largely on equivalent data.


The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**What is the minimum share of investments in transitional and enabling activities?**

There is no commitment to a minimum proportion of investments in transitional and enabling activities.

 are environmentally sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The fund may invest in economic activities that are not yet eligible to be environmentally sustainable economic activities or for which the technical standards are not yet finalised. Company data of EU Taxonomy alignment is not yet widely available from public disclosures by investee companies. However, certain investments may be linked to environmental objectives by virtue of their contribution to UN SDG's.



### **What is the minimum share of socially sustainable investments?**

At least 25% of investments are expected to be dedicated to socially sustainable investments.



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Cash may be held as ancillary liquidity or for risk balancing purposes. The fund may use derivatives and other techniques for the purposes described in the ‘What the funds can use derivatives for’ section in the prospectus. This category may also include securities for which relevant data is not available. Such investments are assessed to ensure that they live up to minimum social safeguards.



### **Can I find I find more product specific information online?**

More product-specific information can be found on [nordea.lu](https://nordea.lu)