

Sensitive Industries Guidelines

August 2021

Social Empowerment

- The Nordea 1 - Global Social Empowerment Fund focuses on companies that can offer solutions to the growing social challenges related to vital needs, inclusion and empowerment. In actively managing the fund's portfolio, the management team focuses on companies that are making a positive social impact through their products or services, and that appear to offer superior growth prospects and investment characteristics.
- The fund aims to create positive impact through investing in companies that make a specific contribution to the social Sustainable Development Goals ("SDGs"). It follows a fundamental approach and a built-in ESG analysis validating the social SDG contribution with targets and impact metrics, and Do Not Significantly Harm and Minimum Social Safeguards analysis, including norm-based screening.

Guidelines for the Nordea 1 – Global Social Empowerment Fund (“the fund”) – sensitive industries

Norm-based screening & anti-corruption

Nordea Asset Management's (NAM) investment products including the fund are subject to norm-based screening, which identifies companies that are allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards and anti-corruption.

For further details, please refer to NAM's [Responsible Investment policy](#).

Weapons

NAM considers a range of weapon types and their potential use to be controversial, given their indiscriminate effect on human populations. NAM does not invest in companies that are involved in the production or development of:

- cluster munitions
- anti-personnel mines
- biological weapons
- chemical weapons
- weapons with non-detectable fragments, incendiary and blinding laser weapons
- depleted uranium munitions.

NAM does not invest in companies that are verified to be involved in the production or development of nuclear weapons. NAM also excludes companies involved in the maintenance of nuclear weapons, with a military revenue threshold of 5%. For further details, please refer to NAM's [Responsible Investment policy](#).

Additionally, for other (conventional) weapons the fund applies a 10% production revenue threshold on military equipment.

Tobacco

Tobacco use is one of the main risk factors for a number of chronic diseases, including cancer, lung diseases, and cardiovascular diseases. We take the view that tobacco is fundamentally in conflict with the concept of sustainable development because of the health impacts of smoking, the cost of treating individuals, and the effects of passive smoking.

The tobacco industry is also facing high risks in the supply since sourcing is often from high risk countries with risk of child labour and poor working conditions. There are environmental risks in the supply chain such as water stress and use of pesticides.

The fund adheres to restrictions in exposure to tobacco.

Climate change

NAM has a Climate policy to assess the risk and impact of climate change on investments.

For further details, please refer to NAM's [Responsible Investment policy](#).

The fund is subject to NAM's Paris-Aligned Fossil Fuel Policy. The policy requires all fossil fuel companies to demonstrate that they have a decarbonization strategy that is consistent with 2°C of global warming or less. These companies are put on the Paris-Aligned Fossil Fuel list. Companies that are not on the list will be excluded from funds adhering to the policy. For further details, please refer to the NAM's [Fossil Fuel policy](#).

Thermal and metallurgical coal extraction

NAM excludes companies with large and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal). For further details, please refer to NAM's [Responsible Investment policy](#).

The fund follows NAM's [Fossil Fuel policy](#) and adheres to restrictions in exposure to coal mining. The fund does not invest in companies with expansion plans for coal extraction since it is not considered as a sustainable business model.

Unconventional oil & gas

The fund follows NAM's [Fossil Fuel Policy](#) and excludes all companies that are involved in so-called unconventional fossil fuel extraction methods. These methods include Arctic drilling, oil sands extraction, and hydraulic fracturing (shale oil/gas).

Conventional Oil and Gas exploration and production

The fund follows NAM's [Fossil Fuel Policy](#).

NAM is part of IIGCC (Institutional Investor Group on Climate Change) Climate Action 100 engagement which is a 5-year engagement with focus on governance and disclosure of climate risk and capital expenditure at risk.

Utilities companies

Thermal coal miners and coal-focused power companies are bearing the brunt of the shift away from carbon so far. A raft of regulations already exists but heightened ambition will tighten policy for the utilities sector. These regulations include specific carbon reduction targets, incentives to increase renewable energy generation, demand side energy savings and carbon pricing, alongside more indirect requirements for disclosure and water management.

The utility companies in the fund must comply with NAM's Paris-Aligned [Fossil Fuel Policy](#).

NAM is part of IIGCC Climate Action 100+ engagement which is a 5-year engagement with focus on governance and disclosure of climate risk and capital expenditure at risk.

Nuclear energy

Nuclear energy production has several challenges including waste management, health & safety risks and impact from potential accidents. We limit exposure to nuclear energy in utilities companies to no more than 30% of production/revenue due to the high ESG risks.

Biodiversity

NAM has published a position statement on biodiversity as part of the [Responsible Investment policy](#). We expect companies exposed to issues related to the loss of biodiversity to ensure that they report on how they manage the related risks and impacts adequately.

Water use

Our position statement on water use and scarcity is embedded into NAM's [Responsible Investment policy](#). We expect companies in the high-risk sectors to ensure that they address and manage their water risk adequately.

Taxation

We expect our portfolio companies to have a tax policy that outlines the company's approach to taxation and how it aligns with the overall business strategy. We also expect companies to have a robust tax governance and management framework in place, to pay taxes where economic value is created and to provide country-by-country reporting. Tax is one of the aspects we look at in our Good Governance position statement which is part of NAM's [Responsible Investment policy](#).

Alcohol

The harmful use of alcohol is a public health problem. We also see growing regulatory initiatives globally aimed at reducing the harmful use of alcohol. Public concern about alcoholic beverages and any resulting restrictions (e.g. excise tax) as well as shifts towards healthier beverages may cause social acceptability and consumption to decline. The fund limits exposure to alcohol companies as this does not fit the positive social impact the fund is aiming at.

Gambling

There are concerns regarding the negative social impact of gambling addiction, especially on vulnerable groups such as children. The fund limits exposure to companies involved in gambling as this does not fit the positive social impact the fund is aiming at.

Oppressive regimes

For the fund, companies (taking into account state-owned companies) whose operations are involved with/exposed to oppressive regimes are reviewed as part of the ESG assessment. Our key guidelines in this regards are the UN Guiding Principles on business and human rights. The review is on a case by case basis and could lead to the exclusion of the company.

Death penalty

For the fund, companies (taking into account state-owned companies) whose operations are involved with or supportive of death penalty are reviewed as part of the ESG assessment, depending on exposure. The review is on a case by case basis and could lead to the exclusion of the company.

Forward contracts on agricultural commodities

Since 2012, NAM has not offered investment products where basic food commodities such as wheat, coffee or sugar are included in the underlying assets. This position is covered in NAM's [Responsible Investment policy](#).

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