Active Ownership

Being an active owner is central to our understanding of ESG and Responsible Investment. Therefore, our active ownership activities span across all of our products.

We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. We are convinced that ensuring good ESG practices in our funds' holdings is an important part of safeguarding the long-term interests of shareholders and society. When we want to improve a company's management of its ESG risks, we exercise our ownership right to support and influence the company.

While we fully are fully prepared to exclude companies when we deem it necessary, our experience proves that active ownership can often be an effective tool to improve ESG performance, manage risk and identify opportunities. Our active Ownership takes place in two streams – engagement and voting – both equally important and reinforcing one another.

Engagement

We believe that improved management of sustainability risks and opportunities is vital to creating returns with responsibility, and that engagement can result in competitive advantage, increasing the likelihood of companies being successful in the long run – benefitting companies, clients and society at large.

Engaging with our investee companies enables us to address material sustainability risks and opportunities.

Our engagement activities combine the perspectives of portfolio managers, financial analysts and ESG specialists to form a holistic opinion and establish coherent engagement objectives. Portfolio managers actively participate in engagement activities together with our ESG analysts. Engagements often run over several years and are carried out either by NAM alone or in collaboration with other institutional investors.

During the engagement period, we conduct regular meetings with the company and track progress against pre-defined engagement objectives. Engagement may entail a dialogue with the companies' executive bodies, influence on board composition, cooperation with other investors on joint voting at annual general meetings, and generally keeping a strict eye on the company. The dialogue allows us to put forward our expectations on corporate behaviour and to support companies in enhancing their sustainability performance. Progress reports and outcomes of the engagement are communicated to portfolio managers and financial analysts, allowing the information to be considered in investment decisions. In cases where an engagement relates to critical issues for the specific investment case or the general investability of a company, failure to meet expectations will entail escalation of the issue through other stewardship activities, such as voting, and ultimately the consideration of quarantine or divestment.

Our engagement activities typically fall into one or more of three different categories:

1. **Investment-led engagement**
   This relates to material ESG-related risks or opportunities identified by portfolio managers, financial analysts and ESG analysts via our company assessments.

2. **Norms- and incident based engagement (including PAI):**
   Addresses companies that are in breach of international norms or conventions or those involved in ESG-related incidents. Significant deviation from the relevant peer universe on PAI metrics may also trigger engagement.

3. **Thematic engagement**
   This type of engagement is initiated for investee companies with the most material exposure to one or several of our four focus areas:
   - Biodiversity
   - Climate
   - Good governance
   - Human rights

   Each theme is closely aligned with the SDGs and relevant ESG risks, and has been selected and defined through close collaboration between ESG specialists, portfolio managers, financial analysts and clients. All of our engagements are tracked in our in-house database and reviewed by the RI team to monitor progress.

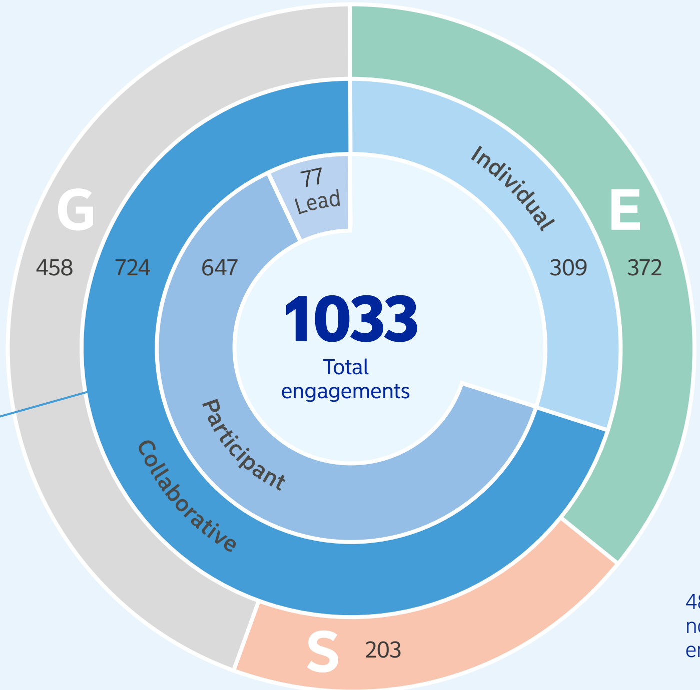
We will elaborate and showcase these engagement types in the coming chapters.

NAM's engagement activities are carried out on behalf of all our funds, and follow this process:

Engagement overview 2021

Focus engagement topics

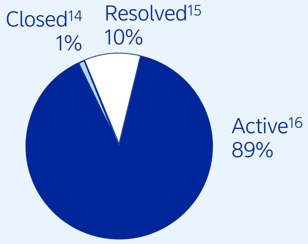
1. Good governance (43%)
2. Climate (24%)
3. Human Rights (21%)
4. Biodiversity (12%)



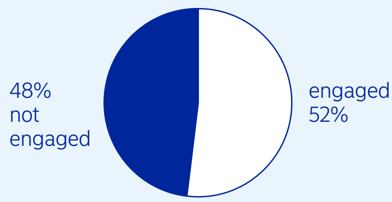
Top 3 collaborative engagements

1. SASB (25%)
2. CA100+ (16%)
3. CHRB (13%)

Engagement status



% of equity AUM covered by engagements

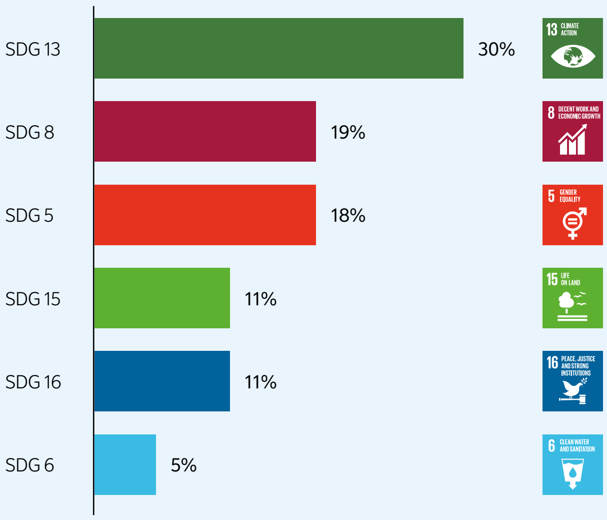


14) Engagements that have come to an end, but the engagement objectives have not been achieved. This is primary the case when NAM does not longer have exposure to the company. When relevant, engagement cases that have been closed can be escalated to our Responsible Investment Committee for potential exclusion decision.

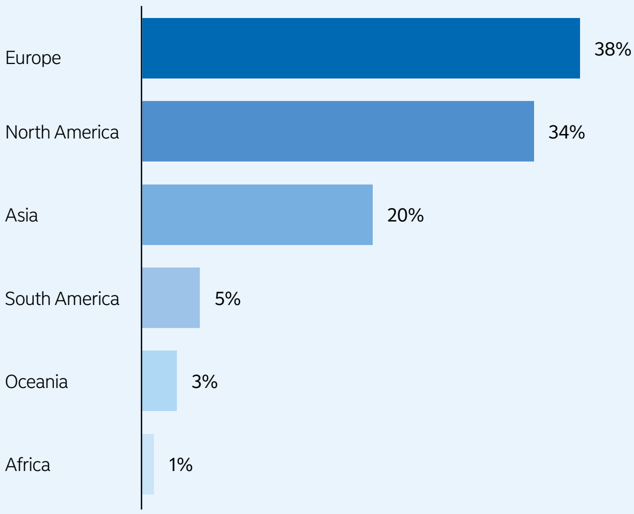
15) Engagements that have come to an end since the engagement objectives have been achieved.

16) Ongoing engagements.

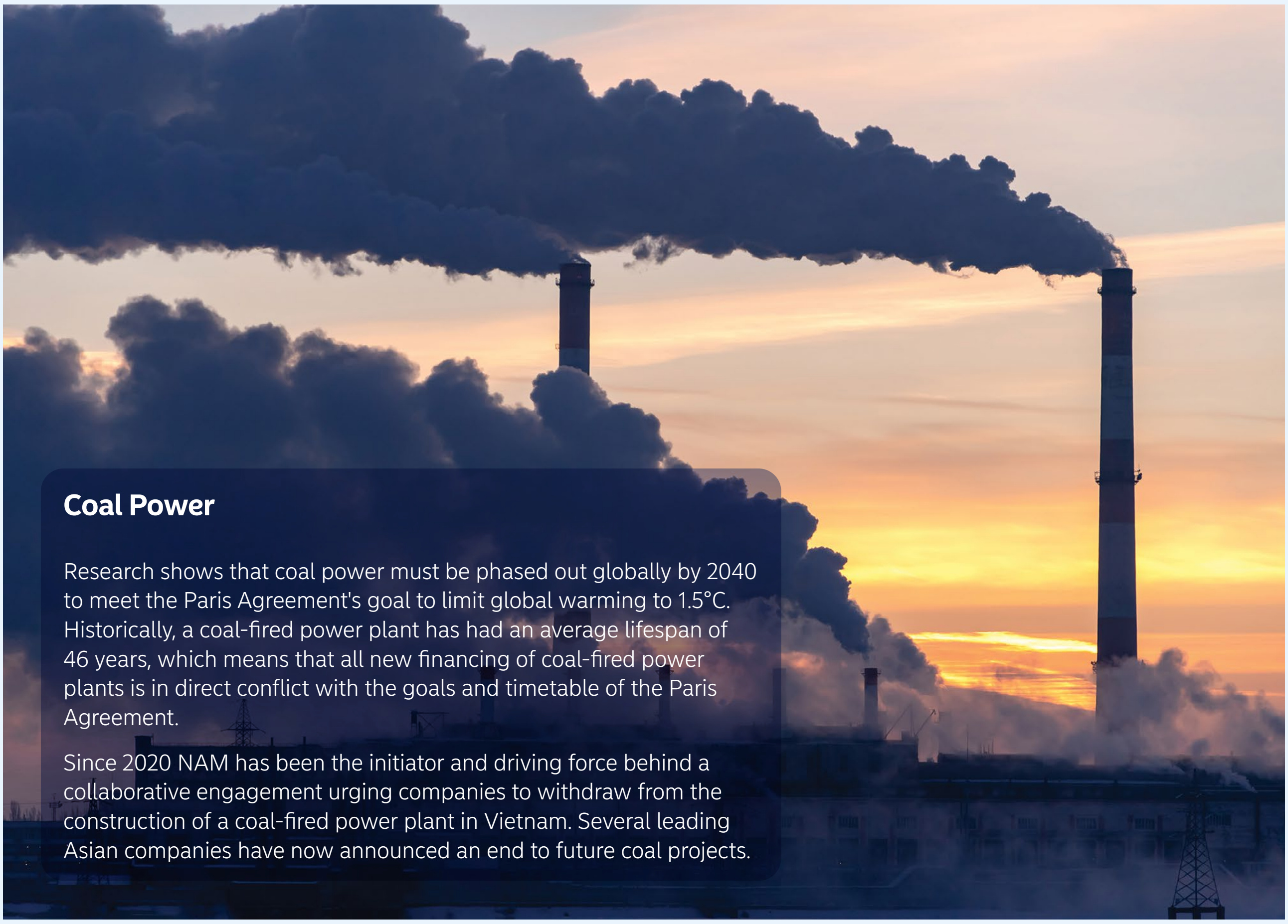
Top 6 SDGs



Geographical breakdown



Source: United Nations, Sustainable Development Goals.



Coal Power

Research shows that coal power must be phased out globally by 2040 to meet the Paris Agreement's goal to limit global warming to 1.5°C. Historically, a coal-fired power plant has had an average lifespan of 46 years, which means that all new financing of coal-fired power plants is in direct conflict with the goals and timetable of the Paris Agreement.

Since 2020 NAM has been the initiator and driving force behind a collaborative engagement urging companies to withdraw from the construction of a coal-fired power plant in Vietnam. Several leading Asian companies have now announced an end to future coal projects.

Engagement case: Vung Ang 2

We at NAM are critical towards any of our investee companies being involved in the construction of new coal-fired power plant projects, as this is inherently inconsistent with limiting global warming to below 2°C.

In 2020, we initiated a collaborative engagement with the financiers, owners and contractors of a new coal-fired power plant in Vietnam, the Vung Ang 2, with the aim of having the companies withdraw from the construction as well as to commit not to contribute to further coal-fired power expansion. This was due to our having identified the project as having high climate-related, financial and reputational risks and being inconsistent with the goals and timelines of the Paris Agreement.

NAM is the leading investor of the consortium consisting of 25 investors and representing approximately EUR 4.8 trillion in AUM.

Companies that have responded

Companies that have reacted to the letter from the consortium includes the owners Korea Electric Power Corporation and Mitsubishi Corporation as well as the contractor Samsung C&T, all announcing an end to future coal projects.

In addition the financiers MUFG, SMFG and Muzuho have all introduced targets to reduce their financing of coal-fired plants to zero by 2040.

The media interest for this engagement has been extensive and has contributed to an increased public opinion against Vung Ang 2 and coal in general. Several of the companies linked to the project have taken steps to reduce their involvement in the coal industry (see box), and our engagement also informed the climate debate in the parliament of the Republic of Korea, which ultimately led the government to set new net zero goals.

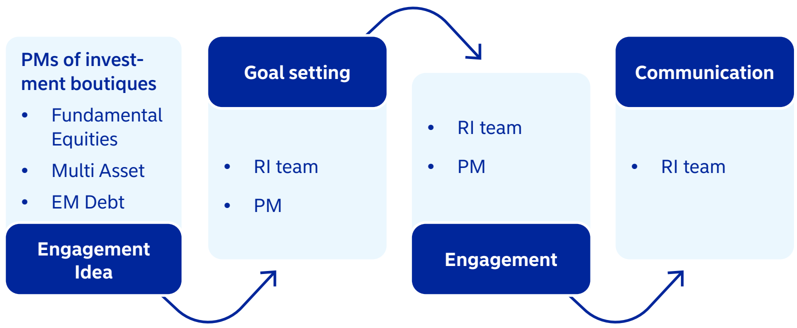
The project is an example of how we're actively working with companies to ensure that they transition at the pace required to achieve a net-zero emission world by 2050. Phasing out coal from the energy sector is one of the most important steps to reach the goals set out in the Paris Agreement.

Investment-led engagement

Investment-led engagement is a key and distinctive part of our investment approach for our most ESG focused products.

Investment-led engagement relates to ESG-related risks or opportunities identified by Portfolio Managers (PMs), financial analysts or the RI team via our company assessments. These engagements are done in close collaboration between the PM and the RI team.

Investment-led engagement



PMs and the RI team engage proactively with companies in the most ESG focused portfolios when we see material ESG risks that may not be adequately managed or opportunities that may not be fully capitalised on. Together the PMs and RI team identify risks and opportunities within the our holdings, and set engagement goals and milestones to track the engagement. The engagement goals vary, depending on the investment process and level of ESG integration of an individual investment product.

The characteristics of the engagement goals may differ between different investment boutiques. For example, in fundamental equity products, the engagement focus may be on ESG topics that could impact the the company's financial performance or valuation metrics.

Our quant based and fixed income investment products, on the other hand, can target ESG topics where a holding is underperforming and aim to improve the company's ESG score in order to retain it in the investable universe.

In addition, investment-led engagements in fixed income products may target companies that are currently un-investable for a strategy due to their insufficient ESG performance, and aim to improve it in order to be able to include them.

Finally, our thematic products will naturally primarily focus their engagements to addressing topics and performance connected with the theme of the product.

Examples of engagement topics

Incident and norms-based engagement (including PAI)

Our incident and norms-based engagements address companies suspected of breaches of international norms or conventions or those involved in ESG-related incidents. Outliers in terms of PAI metrics may also be engaged with.

Engagements with companies identified as involved in a verified violation of international norms or those involved in ESG-related incidents are initiated based upon decision from the RIC.

The objective of engaging a company in breach of international norms or conventions or those involved in ESG-related incidents is to ensure that the company is taking sufficient measures to address the issues and to strengthen relevant policies and practices, to reduce the risk of future norms-breaches or incidents.

For each incident- or norms-based engagement an engagement plan with clearly defined targets is created. The engagement targets are measurable and are used to monitor and evaluate progress. The RI team presents the RIC with an overview of the companies in breach with international norms or conventions on a quarterly basis, and provides a recommendation of the preferred action at the end of the pre-defined engagement period. Actions include closing the engagement due to sufficient evidence that the company has addressed the norms-breach or incident, or escalating through voting, collaborative engagement or divestment, if the company has failed to display adequate measures to address the issue and to strengthen relevant policies and practices.

Incident- and norms-based engagements are inherently backward-looking, in that it is triggered only after the event. During 2021, these engagements were supplemented by engagement on issues identified using our firm-level PAI process. Here, companies that are outliers on specific PAI issues are identified and engaged in a forward-looking way, with the aim to pre-empt the issues identified from later reaching the level of an incident or norms breach.

Thematic engagement

Our thematic engagements address selected sustainability areas, helping us to focus our engagement efforts into issues most crucial on a global scale.

NAM's thematic engagements will typically concern one or more of the core focus areas of interest identified in NAM's ESG strategy and ESG positions.

NAM'S thematic engagement focus areas

- Biodiversity
- Good governance
- Climate
- Human rights

These thematic focus areas are related to major systemic and sustainability risks and opportunities, covering the double materiality perspective, which means that we can engage both on financially material ESG topics as well as topics that have material impact on the climate, nature and society at large. By engaging on our focus themes, we contribute to the UN Sustainable Development goals. Thematic engagements are selected and defined through close collaboration between our ESG specialists, portfolio managers, financial analysts and clients, based on material exposure. In 2021, we engaged across all our thematic focus areas.

Typically, our thematic engagements run for several years, and as for all engagements where the engagement is not successful, we can use escalation tools such as voting and filing shareholder resolutions. Thematic engagements can be done either individually or in collaboration with other asset managers and asset owners. Often collaborative engagements take place within the framework of investor initiatives such as Climate Action 100+, SASB, PRI, CDP or the Investor Alliance for Human Rights or through ad hoc initiatives. In some cases we can be the initiator and lead of such ad hoc investor alliances.

In the next chapters, we will explain each of our focus themes in more detail.

Focus theme: Biodiversity

Example case of a biodiversity engagement: Brazilian Government

15 LIFE ON LAND

E S G

Background: Citing the negative financial materiality of the rainforest destruction, in 2019 we decided we would no longer buy Brazilian government bonds for any of our internally managed Emerging Market debt strategies, including Nordea's Emerging STARS Bond strategy.

Engagement and outcome: Our suspension of Brazilian government bond purchases won the attention of both government agencies and the media. Nordea is one of many investors that have urged the government of Brazil to take a tougher stance on deforestation and environmental protection. The wide ranging regulations on ESG that the Central Bank of Brazil announced in September 2021 is therefore a good step. The new regulation includes the requirement that all environmental, social and climate impact is taken into consideration for all financial services and products. In August, the Central Bank of Brazil also announced that it is preparing to require banks to account for potential losses from climate change-related phenomena such as droughts, floods and forest fires. In addition, the Central Bank has outlined rules to forbid rural loans to projects in indigenous or deforested land and has demanded more disclosure on how banks deal with social and environmental risks, including deforestation.

In October we were invited to an conference on sustainable agriculture in Brazil organized by The Embassy of Brazil in Denmark, with institutional support from the Danish Agricultural & Food Council, Food Nation, DAKOFO and the Brazilian Trade and Investment Promotion Agency. In connection with the conference we attended a separate meeting with government representatives from the Brazilian delegation and discussed investor expectations regarding deforestation and also the financing gap to stop deforestation in Brazil and sustainable agriculture.

Biodiversity loss is a systemic risk and one of the biggest global challenges of our time. Nature is being eroded at rates unprecedented in human history and we are facing the irreversible loss of plant and animal species, habitats and vital crops.

Research by the World Economic Forum (WEF) finds that USD 44 trillion of economic value generation – more than half of the world's total GDP – is moderately or highly dependent on nature and its services[17]. At the same time, WEF estimates that nature-positive transitions could generate up to USD 10.1 trillion in annual business value and create 395 million jobs by 2030[18].

As the single largest asset manager in the Nordics, we acknowledge our role in preventing biodiversity loss and channelling capital flows towards nature-positive solutions. We have been actively working with our portfolio companies to address sustainability risks and ceasing opportunities ever since the signing of the UN Principles for Responsible Investment in 2007. As part of our sustainability focus we are closely working with our portfolio companies to address biodiversity risks and to capitalize on opportunities.

Did you know?

WEF Global Risks Report 2021, identified biodiversity loss as 5th biggest global risk by likelihood, and 4th biggest global risk by impact.[19]

The latest WEF Global Risks Report, published in 2022, identifies biodiversity loss as the 3rd most severe risk on a global scale over the next 10 years.[20]

Biodiversity engagements

In 2021, NAM had 123 engagements on topics related to Biodiversity, representing 12% of our total engagements.

17) https://www.weforum.org/reports/new-nature-economy-report-ii-the-future-of-nature-and-business.
18) https://ec.europa.eu/environment/nature/biodiversity/economics/index_en.htm.
19) WEF Global Risks Report 2021.
20) WEF Global Risks Report 2022.

Collaborative engagement initiative: IPDD

Nordea is a founding and advisory member of the Investors Policy Dialogue on Deforestation (IPDD), a collaborative engagement aimed at initiating and coordinating a public policy dialogue on halting deforestation in selected countries, established in 2020. The IPDD engages with public agencies and industry associations on this issue – initially in Brazil. IPDD investors want to continue to invest in Brazil and contribute to its economic development and protection of the environment and are urging the government to demonstrate clear commitment to eliminating deforestation and protecting the rights of indigenous peoples. The engagement group has set out a series of demands for the Brazilian government to sufficiently address deforestation-related issues. The IPDD engagement group is expecting the following five outcomes from the Brazilian government:

- Significant reduction in deforestation rates
- Enforcement of Brazil's Forest Code
- Reinforcement of Brazil's agencies tasked with implementing environmental and human rights legislation, and avoidance of any legislative developments that may negatively impact forest protection
- Prevention of fires in or near forest areas, in order to avoid a repetition of fires like in 2019
- Public access to data on deforestation, forest cover, tenure and traceability of commodity supply chains

During 2021 the IPDD Brazil workstream has met with federal representatives, state representatives, congressmembers, and civil society in Brazil. They have also held educational and knowledge sharing sessions, both in and outside of Brazil, and conducted outreach with investor coalitions, foreign representatives, and other relevant stakeholders.

The IPDD's engagement work has also been extended to Indonesia. NAM is also an active participant in the Indonesia working group, which aims to work constructively with, among others, relevant government authorities and financial market regulators to promote good social and environmental governance and to reduce financial risks arising from deforestation and land degradation.

Focus theme: Climate

Example case of a climate engagement: Antofagasta

E S G

Background: We have repeatedly engaged with Chilean mining company Antofagasta in recent years on topics related to labour rights and worker safety, water management, and climate risk. Over the course of these engagements, we have seen Antofagasta implement numerous positive initiatives.

Engagement: We recently followed up with Antofagasta to continue the dialogue on its efforts to reduce greenhouse gas emissions – particularly as the company has announced it is adopting new, longer-term carbon reduction targets and strategies. As Antofagasta has recently entered the bond market, we also had an exploratory dialogue around the relevance of green or sustainability-linked bond structures for future issuances.

While positive dialogue is constructive, ultimately all engagement efforts must result in more ambitious commitments and action. Encouragingly, Antofagasta continues to take positive steps forward, such as recently announcing its goal to be carbon neutral by 2050. Importantly, the company is aiming to reduce total emissions by 30% by 2025. We sought to clarify how Antofagasta will be able to deliver on these ambitions. The company's greatest challenge is in the ability to report on its indirect – 'Scope 3' – value chain emissions, but it is actively building its capability to report on these.

Outcome: In response to our efforts, Antofagasta informed us it will shortly be releasing reporting in line with TCFD recommendations, which will highlight how its operations are aligned with various climate scenarios. We also remain in dialogue about its ongoing climate strategy and will continue to press on its decarbonisation progress. Overall, the advancements Antofagasta has made in relation to climate risks and other ESG elements recently led us to upgrade our internal ESG score on the company from B+ to A.

Climate change is one of the single largest threats to the global economy and in general to the conditions of all life on earth. In addition, it implies specific risks to the companies and other entities we invest in. NAM is working on an ongoing basis to assess climate change risks and the impact of the low-carbon transition on sectors and companies. Climate change presents a challenge to our investments – in terms of its physical impact as well as through the prospect of radical policy measures and changing consumer behaviour with the aim of reducing GHG emissions globally.

We expect companies exposed to climate risk to:

- have a strong climate governance and demonstrate how they integrate climate change challenges into their business strategies, investment decisions and risk management
- be able to disclose how their long-term business strategy and profitability will be impacted by a different regulatory and physical environment
- show how they identify and capitalise on opportunities related to climate change
- be transparent in regards to their position on climate change regulation and interaction with regulators and policy makers
- report in line with TCFD recommendations and act to reduce greenhouse gas (GHG) emissions across their value chains in accordance with the Paris Agreement

Collaborative engagement initiative: Climate Action 100+

We participate in multiple international investor initiatives and collaborative engagements around climate topics. One such example is our participation in CA100+ collaborative engagements with the world's most carbon-intensive public companies.

We feel encouraged by some positive developments we have seen related to CA100+:

- 52% of the companies have set a clear ambition to reach net-zero GHG emissions by 2050
- 87% of the companies have board-level oversight of climate change
- 72% of companies have disclosure aligned with TCFD recommendations.

Example of climate engagement escalation

We firmly believe that corporate lobbying and public affairs efforts should refrain from providing direct or indirect support to regulatory initiatives that risk slowing down the energy transition. This is a topic we have been trying to engage on with Exxon Mobil.

Due to the slow progress towards meeting our engagement expectations, we decided to escalate engagement by co-filing a shareholder resolution demanding reporting on climate lobbying aligned with Paris Agreement. We were happy to see that the resolution received the majority support in Exxon Mobil's meeting in May 2021.

Focus theme: Good Governance

Example case of a good governance engagement: Checkpoint Software

Background: Since 2020, we have engaged with companies on diversity and inclusion (D&I), and especially focused on companies that have only a small minority or no females on their board. For diverse companies, the likelihood of outperforming industry peers on profitability has increased over time, while the penalties are getting steeper for those lagging behind. For example, diverse teams have proven to be more likely to radically innovate and anticipate shifts in consumer needs and consumption patterns— enabling the companies to gain a competitive edge.

Our engagement with Check Point was focused on D&I topics, and our goal was to get them to increase female ratio of their Board members.

Engagement: In 2020, we sent a letter to the company encouraging it to review its approach to D&I. The company informed us that it is working on increasing their D&I disclosures, and expect the gender diversity of the Board to increase in the future.

Outcome: During our engagement with the company, the Board gender ratio improved from 10% up to 20% in 2021. While this is already very positive development, we will continue our engagement dialogue until the company meets our expectation of minimum 40% representation of the underrepresented gender in the Board.

In our good governance focused active ownership activities, we aim to promote sustainable profitability and sound management of ESG risks and other risk types in portfolio companies, in order to protect shareholder value and enhance long-term returns. We believe a sound corporate governance structure is essential for creating long-term shareholder value.

The board of directors and senior management are accountable to investors for protecting and generating value over the long term. We expect the board of directors of investee companies to oversee and monitor the effectiveness of the company's governance of environmental, social and business ethics-related issues and risks and to protect shareholder rights. We engage with investee companies and use our vote on numerous issues, including shareholder rights, board composition, remuneration and risk management.

As stated in our RI Policy, we expect companies affected by these governance-related risks to ensure that they report on how they manage the risks and impacts adequately:

- **Corruption:** The evidence of a correlation between corrupt business practices and negative effects on long-term financial returns is growing. Corruption leads to significant business-related costs and market inefficiency and hinders economic, political and social development. We expect companies to take a proactive approach towards corruption and responsible payments and ensure that adequate measures are implemented and transparency is being elevated
- **Tax:** We recognise the importance of companies being accountable for and transparent about their tax practices. 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
- **Diversity:** Diversity and inclusion has been a focus area in our active ownership activities for several years and we address these issues in a number of ways. We expect a board to include a strong presence of independent non-executives members and to be diversified on gender, experience, age and other factors. A board should preferably have at least 40% of either gender. Being a member of a company's nomination committee has proven to be an efficient way to engage our largest Nordic holdings on diversity and inclusion. On top of that, we engage with companies outside of the Nordic area, both independently as well as together with other investors. We've also pushed for better board and management diversity as well as other ESG topics related to initial public offerings (IPOs)

Engaging on reporting aligned with SASB recommendations

We have been part of SASB Investor Advisory Group (IAG) since 2016, in order to engage and encourage companies to report in line with SASB recommendations and take steps towards a global sustainability reporting standard. We support SASB standards and believe that industry-specific standards, that are framed upon financial materiality, can improve investors' understanding of company performance on most material ESG issues.

The SASB IAG has set a target that 75% of S&P1200 should report in line with SASB by 2025.

Focus theme: Human Rights

Example case of a human rights engagement: Starbucks

8 DECENT WORK AND ECONOMIC GROWTH

E S G

Background: Starbucks is one of the companies that have been assessed by the Corporate Human Rights Benchmark (CHRB) since 2017, scoring low on human rights due diligence in particular. We have engaged with the company on human rights and transparency already for a number of years.

Engagement: At the 2020 Annual General Meeting (AGM) of Starbucks, we voted against the chair of the Nomination and Corporate Governance Committee due to the lack of progress and transparency on how Starbucks addresses human rights. Ahead of the company's AGM in 2021, we wrote to the board of directors, informing them that based on their 2020 CHRB assessment results and continued low scores – as well as their limited disclosure – we were again considering to vote against the chair of their Nomination and Corporate Governance Committee.

Outcome: In response, the company informed us that Starbucks has published a new Global Human Rights policy which is applicable to all their partners, extending the expectations to comply with the policy to their suppliers throughout the supply chain. We also had a meeting ahead of the AGM, where we received more relevant information, leading us to the decision to not cast an against vote. We continue our dialogue, pushing for better human rights performance and disclosure. Following the CHRBs decision to assess companies every two years instead of annually, CHRB's next ranking will be published in the fall of 2022. We expect to see improved scores for Starbucks, particularly on human rights due diligence.

While protecting and fulfilling human rights is a legal obligation and the responsibility of governments, it is widely recognised that all businesses have the potential to impact human rights. Poor management conflicts with the long-term interest in promoting a responsible and sustainable development and may impact companies' license to operate.

We expect companies to comply with internationally recognised human rights principles and to prevent and manage their impact on human rights. Our expectations apply both to the investee companies themselves and to their supply chains. At NAM, we screen all of our holdings for breaches of international norms, identifying companies that are allegedly involved in breaches of international laws and norms on human rights and labour standards. In addition, our target for 2023 is that all investee companies in funds managed by NAM will be assessed against the minimum safeguards in the area of human rights, in line with the EU taxonomy.

We engage companies we are invested in on different human rights-related topics – such as digital rights protection in ICT companies, pharma pollution related to drug manufacturing and the right to clean water, labour and workers' rights abuses at industrial cobalt mines in the DRC, and on the Corporate Human Rights Benchmark (CHRB) assessments. We engage with companies either independently or through collaborations and initiatives such as the Investor Alliance for Human Rights.

We also engage on policy level. One example of this is the Investor Statement in Support of Mandated Human Rights and Environmental Due Diligence in the European Union, which issued recommendations for robust legislation on mandatory human rights and environmental due diligence.

Engaging on Corporate Human Rights Benchmark (CHRB)

The CHRB measures the human rights performance of the world's largest publicly listed companies in sectors with high human rights risk. At NAM, we integrate the CHRB assessment results into our ESG analysis and ownership activities. This information enables us to assess the effectiveness of a company's human rights risk management and track progress. Against the background of new regulatory initiatives requiring investors to demonstrate that their investments do no significant harm this, becomes even more important.

In 2021, the Investor Alliance, CHRB's founding investors – APG, Aviva, and Nordea and 208 other investors representing $5.8 trillion in AUM shared an investor statement with 106 companies who had scored zero on their Human Rights Due Diligence processes, some of them having done so for four years in a row. Of the 106 companies, 34 responded (representing a 32% response rate). Of those responses, 2 came from automotive companies, 5 from ICT companies, 8 from the apparel sector, 10 from agricultural product companies, and 10 from extractive companies.

In addition to engaging collaboratively with other investors, we also engage with a smaller number of companies independently on CHRB. We identified a number of companies where we saw a need to escalate our engagement efforts. We sent notices to five companies informing them that unless they could provide us with new information about their human rights performance, we would consider voting against relevant board directors. We will follow up on these companies during 2022.

Voting

Voting is an effective tool to influence companies and to support and escalate our engagements. We believe that sound corporate governance is essential to creating value in companies, adding value for unitholders.

NAM's Corporate Governance Principles focus on increasing transparency and openness in contacts between the company and its shareholders. Our 2021 principles document also defines how we view transparency and what level of openness we expect from the companies we invest in. An important factor in the funds' ownership responsibility is to promote sound administration and to safeguard the common interests of unitholders. A healthy, long-term development in the administration of the investee companies' benefits shareholders, employees and other stakeholders alike. The goal is to increase the return on fund investments and ensure smoothly functioning, reliable capital markets.

The Corporate Governance team cooperates closely with NAM's RI Team, which oversees our work on responsible investment together with the investment organisation. The teams maintain an ongoing ESG dialogue with companies - pre and post-AGM – to get a better understanding and push for continued improvements. Besides good governance, we place particular emphasis on our other focus areas, climate, human rights and biodiversity. We see more and more shareholder proposals relating to e.g. environmental issues and climate reporting, and the support for these type of resolutions is also increasing. We welcome that interest in these issues is growing each year and that an increasing numbers of companies are supporting shareholder proposals around these questions.

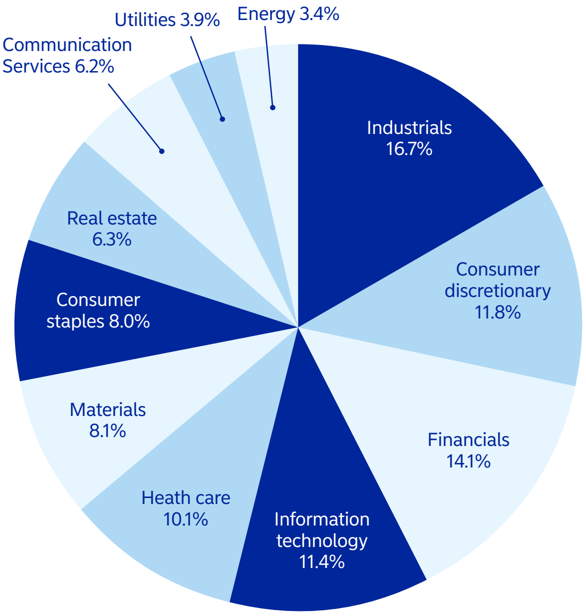
As we saw already in 2020, the ongoing pandemic has had a significant impact also on Corporate Governance in general and on Annual General Meeting (AGM) voting in particular. Unfortunately, we have not been able to physically attend as many AGMs over the last two seasons as we normally would, but instead focused on providing support to companies on, for example dividend policies and remuneration implications. There had been multiple stories in the media on changed remuneration schemes due to the weak markets seen in 2020 and into 2021. NAM tries to hold a pragmatic view and listen to the rationale given in the individual case in deciding whether to support such changes or not.

Voting overview 2021

This year we have voted at over 4,200 General Meetings on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programmes and capital structure. In 2021, our voting covered around 95% of all meetings, which is a big upward shift from 2020, and reflects our ambition to vote in the majority of all general meetings in our portfolio companies. We also voted on 100% of the environmental resolutions and supported all the climate-related votes. Our focus on climate is clear also in our voting activities, and based on a recent report from ShareAction, we are one of the top Asset Managers in supporting climate resolutions[21].

Increasingly we are being invited by companies in the Nordics to join their nomination committees. Membership of nomination committees is a very efficient way to engage with the companies we have large holdings in, and it enables us to drive real change – for instance on the Board gender ratio. During the 2021, we joined 42 Nomination Committees.

Meetings by sector



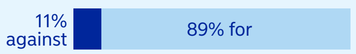
Meetings by country

USA	23.1%	Sweden	6.3%
China	10.5%	UK	3.7%
Japan	8.9%	Other	47.5%

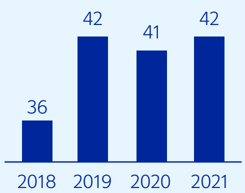
Voted on more than **4,200** General Meetings representing around **95%** of all votable meetings

Voted in **100%** of the climate proposals

Alignment with management



Nomination committees



Examples of important votes are made available in the appendix of this report.

More information on our voting is available on our voting portal.

21) ShareAction, Voting Matters 2021 report, available here.

Exclusions

While our experience proves that active ownership can often be an effective tool to improve ESG performance, manage risk and identify opportunities, some types of economic activity or corporate behaviour are not compatible with our vision of returns with responsibility. Such companies are excluded as a matter of firm-wide policy. In addition, specific strategies have further screening criteria, corresponding to their level of ESG focus.

NAM excludes companies involved in serious breaches of international norms where engagement is deemed not to be possible or effective. For example, we ban investment in companies active in the production of controversial weapons, including – but not limited to – cluster munitions and anti-personnel mines as well as nuclear weapons. NAM also does not invest in companies deriving more than 10% of their revenues from thermal coal and excludes companies involved in the production of fossil fuels from oil sands (10% revenue threshold) or through arctic drilling (5% revenue threshold). For this purpose, we maintain a firm-level exclusion list that applies to all Nordea-branded investment strategies[22]. Any addition to – or removal from – the list is decided by the RIC. Our exclusion list is publicly available here.

In addition to the firm-wide exclusion list, a substantial and growing part of NAM's strategies is also subject to our Paris-Aligned Fossil Fuel (PAFF) Policy, which excludes companies involved in fossil fuel production, distribution or services if they do not have a recognised strategy to achieve an emissions path that is consistent with the Paris Agreement's goal. More details on our PAFF Policy can be found here.

NAM's corporate wide ESG positions

Exclusions:

- Controversial weapons
- Thermal coal mining (10%[23])
- Coal mining (30%[23])
- Oil Sands (10%[23])
- Arctic drilling (5%[23])

Enhanced due diligence on:

- Biodiversity
- Board diversity
- Climate change
- Conflict areas
- Corruption
- Deforestation
- Good governance
- Government sanctions
- Human Rights
- Soft commodities
- Tax transparency
- Water

22) With the exception of any holdings by such strategies in external funds and index derivatives and selected discretionary mandates on clients' request.
23) Revenue threshold.