

## Bærekraftsrelaterte rapporter

1. januar 2024

### Transparens med hensyn til å fremme miljø- og samfunnsnyttige egenskaper

Dette dokumentet inneholder informasjon om miljø- og samfunnssegenskapene til finansprodukter, samt informasjon relatert til bærekraftige investeringer, i samsvar med artikkel 10 i forordningen om bærekraftsrelaterte opplysninger i finanssektoren (SFDR)<sup>1</sup>.

Avsnittet "Sammendrag" er skrevet på norsk, mens resten av dokumentet er på engelsk.

**Produktnavn: Individuell diskresjonær ESG forvaltning**

**LEI nummer: Nordea Bank Abp: LEI: 529900ODI3047E2LIV03**

#### Sammendrag

Finansproduktet fremmer visse miljø- og/eller samfunnsnyttige egenskaper. Selv om dette finansproduktet ikke forplikter seg til å investere i en minsteandel av bærekraftige investeringer, kan det foreta slike investeringer.

Finansproduktet består av et utvalg av finansinstrumenter med miljø- og/eller samfunnsnyttige egenskaper, samt forvalterens integrasjon av bærekraftsrisiko i investeringsprosessen, som er godkjent av Nordea Bank Abp (Nordea). Porteføljen settes sammen ved bruk av en kombinasjon av underliggende finansinstrumenter som innfrir den individuelle risikoprofilen og bærekraftspreferansene som er blitt definert av kunden.

De underliggende finansinstrumentene må i ønsket grad være på linje med Nordea-rammeverket Sustainable Selection. Sustainable Selection er Nordeas tilbud av bærekraftige produkter. Produkter i Sustainable Selection innfrir et dokumentert bærekraftsnivå, støttet av Nordeas rigorøse vurderingskriterier. Videre må de underliggende finansinstrumentene innfri eksklusjonskriteriene i Nordeas produkt-distribusjonsregler for ansvarlig investering. De utvalgte finansinstrumentene kan kun inneholde investeringsobjekter som følger god praksis for eierstyring.

Spesifikke bærekraftsindikatorer vil bli brukt til å måle oppnåelse av finansproduktets miljø- og/eller samfunnsnyttige egenskaper i samsvar med de spesifikke metodologiene beskrevet nedenfor. Finansproduktets prestasjoner med hensyn til disse bærekraftsindikatorerne overvåkes kontinuerlig.

<sup>1</sup> Europaparlamentets og Rådets forordning (EU) 2019/2088 av 27. november 2019 om bærekraftsrelaterte opplysninger i finanssektoren

Nordea har overlatt styringen av løsninger for diskresjonær porteføljevaltning (DPM) til Nordea Investment Management AB (NIM), som er en del av Nordea-enheten Nordea Asset Management (NAM).

Nordea og NAM bruker interne og eksterne datakilder og dataleverandører for å sikre at finansproduktet investeres i samsvar med de miljø- og/eller samfunnsnyttige egenskapene som fremmes. Data som mottas fra eksterne leverandører, kan kompletteres med intern analyse.

Produktleverandører i Nordeas rådgivningsunivers er gjenstand for inngrep hvis produktene deres står overfor bærekraftsrelaterte kontroverser som er brudd på [Nordeas produktdistribusjonsregler for ansvarlig investering](#).

Referanseindeksen som brukes av finansproduktet, er ikke benevnt som referanseindeks for det formål å oppnå de miljømessige og/eller sosiale egenskapene som fremmes av finansproduktet.

## No sustainable investment objective

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> : ___%	<input type="checkbox"/> It promotes <b>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
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b> : ___%	<input type="checkbox"/> with a <b>social objective</b>
	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

This financial product promotes environmental or social (“E/S”) characteristics, but does not have as its objective sustainable investment. The financial product will not have a commitment to a minimum proportion of sustainable investments, as illustrated above.

## **Environmental or social characteristics of the financial product**

The E/S characteristics promoted can be environmental and/or social and include the following features: **ESG focused selection of investments** The product offers discretionary portfolio management (DPM) solutions with individual risk profiles, while taking environmental, social and governance (ESG) into consideration in the selection of investments. Specific E/S characteristics of the portfolio depend on the selected risk profile.

The product consists of a selection of underlying financial instruments whose E/S characteristics, as well as the investment manager’s integration of sustainability risk in the investment process, are approved by Nordea. The underlying financial instruments must to a required degree be aligned with Nordea’s Sustainable Selection framework. Sustainable Selection is Nordea’s sustainable product offering. Products in Sustainable Selection meet a proven level of sustainability, backed by Nordea’s rigorous assessment criteria.

The portfolio may also include exposure to a tactical asset allocation fund that does not promote E/S characteristics and only applies baseline ESG safeguards. The purpose of including a tactical asset allocation fund is to obtain specific asset class exposure and manage portfolio risk while minimising the cost to investors.

**Sector and values-based exclusions** The financial product promotes E/S characteristics by excluding companies that are deemed to be inappropriate based on their business activities or corporate behaviour. The underlying financial instruments must adhere to the exclusion criteria of [Nordea’s Responsible Investment Product Distribution Policy](#). These exclusion criteria cover illegal weapons, nuclear weapons, coal mining, oil sands, Arctic drilling of fossil fuels, production and distribution of pornography, and sanctions

**NAM Paris-Aligned Fossil Fuel Policy** The financial product promotes E/S characteristics by refraining from investing in companies that have significant exposure to fossil fuels unless they have a credible transition strategy (with the exception of the tactical asset allocation fund).

The benchmark used by the fund has not been designated as a reference benchmark for the purpose of attaining the E/S characteristics promoted by the fund.

More information on the E/S characteristics can be found below in the Methodologies section.

## **Investment strategy**

### **Description of the investment strategy used to meet the environmental or social characteristics of the financial product**

Nordea has outsourced the management of discretionary portfolio management (DPM) solutions to NIM, which is part of the Nordea entity Nordea Asset Management (NAM).

The portfolio is constructed using a combination of underlying financial instruments to meet the individual risk profile and sustainability preferences that have been defined by the client. The investment universe of available financial instruments is subject to Nordea's approval process that reviews the E/S characteristics of the funds as well as the investment manager's integration of sustainability risk in the investment process.

The portfolio construction is based on financial instruments that provide exposure to various asset classes while contributing to the E/S characteristics of the portfolios. The weight of each financial instrument in the portfolio may vary to accommodate individual risk profiles.

This financial product invests partly in funds that have a minimum share of sustainable investments and must invest at least 50% of its assets into funds that have a strong sustainability profile with a minimum share of 40% sustainable investments<sup>2</sup>. The financial product can invest a maximum of 10% of its assets into funds that do not promote environmental or social characteristics.

More information on the general investment policy of the financial product can be found in the Investment Objective and Policy section of the prospectus for the underlying financial instruments.

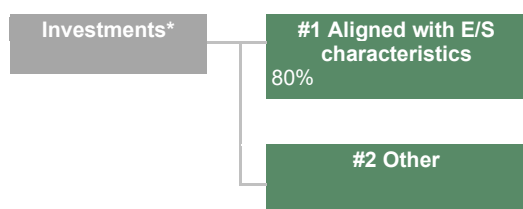
### ***Description of the policy to assess good governance practices of the investee companies***

The investment manager's model for assessing good governance practices is approved by Nordea. The model is evaluated when the investment manager is selected and it is reviewed annually.

The selected financial instruments can only contain investee companies that follow good governance practices. The underlying financial instruments address good governance practices of investee companies in various layers of the security selection process of their direct investments. Companies are screened for good governance by assessing, among other elements, 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.

### **Proportion of investments**

The financial product commits to minimum proportion of investments as illustrated below. Where no percentage proportion or 0% is displayed, such investments may be relevant for the strategy but the fund is not committed to holding a specific proportion at all times, and the proportion of such investments may be as low as 0% at the investment manager's discretion.



<sup>2</sup> There is an exception regarding Private Banking Aktiv Forvaltning Bærekraftig 10, which does not apply this restriction due to high underlying fixed-income exposure.

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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

## Monitoring of environmental or social characteristics

*Description of how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.*

To measure the attainment of the environmental or social characteristics, the investment manager will use the following indicators:

- **Carbon Footprint:** Defined as the total carbon emissions (scope 1 and 2) for the portfolio, normalised by the market value of the portfolio, expressed in tons CO<sub>2</sub>e / M€ invested. The Carbon Footprint expresses the share of companies' and issuers' greenhouse gas emissions that is owned or funded by the company's investments. Carbon emission will be measured by the carbon footprint for investments made in corporate issuers.
- **% of total investments in companies violating United Nations Global Compact or OECD Guidelines for Multinational Enterprises:** Used to measure the share of investments in companies or issuers that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. The ten UNGC principles are related to Human Rights, Labour, Environment and Anti-Corruption issues.
- **Green House Gas Intensity:** Defined as the volume of carbon emissions per million euros of Gross Domestic Product, expressed in tons CO<sub>2</sub>e / M€ Carbon Footprint. Carbon emission will be measured using GHG Intensity for investments made in sovereigns.
- **Investee countries subject to social violations (absolute and relative):** Measured as the number of investee companies or countries subject to social and human rights violations as referred to in international treaties and conventions, United Nations principles and, where applicable, national law. Social violations are measured in absolute, as well as in relative numbers.

The financial product's performance on these sustainability indicators is evaluated initially and monitored on an ongoing basis. Financial products identified on specific indicators or that exhibit high adverse impact across several indicators are analysed further. Financial products may be identified as candidates for engagement. If the financial product still does not meet Nordea's expectations after engagement, the financial product could be removed from the advisory universe.

Sector- and value-based exclusions and other binding restrictions are monitored in the limit system, which is run internally by NAM's Risk Management Limit Team (Limit Team). When NAM decides to limit exposure to certain

sectors or activities, they build those into their internal limit monitoring system that runs both pre- and daily post-trade screenings for the holdings. Pre-trade limits block the unfit investment opportunities from their portfolio management tool, and post-trade limits flag any exposure or activity that is not aligned with their investment guidelines. Depending on the E/S characteristic that the incident concerns, and depending on the type of exposure, certain specific actions, such as divesting, may be taken.

## Methodologies for environmental or social characteristics

**Description of the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.** The methodologies that apply to measure how environmental and social characteristics promoted by the financial product are met, are set out here below.

- The product must invest a minimum of 80% into funds categorised as SFDR Article 8 or 9. The Article 8 products must at least consider Principle Adverse Impacts (PAI).
- Underlying financial instruments must be part of Nordea's approved investment universe.
- Underlying financial instruments must adhere to the Nordea Responsible Investment Product Distribution Policy and, to a required degree, to the Sustainable Selection framework.
- Underlying financial instruments must adhere to NAM's Responsible Investment Policy and cannot invest in companies that are on Nordea's exclusion list due to violation of international norms or involvement in controversial business activities.

The financial product is assessed in relation to the above requirements initially and reviewed when needed, at least annually. The financial product has limits in place to ensure compliance with the above requirements.

While this financial product does not commit to invest in a minimum proportion of sustainable investment, it may make sustainable investments.

### **Sector and values-based exclusions**

Exclusion filters are applied to the investments in the underlying financial instruments to restrict investments in companies and issuers with material exposure to certain activities deemed to be detrimental to the environment or society at large. Exclusion filters may vary depending on asset class and strategy. The underlying financial instruments must adhere to the exclusion criteria of [Nordea's Responsible Investment Product Distribution Policy](#). These exclusion criteria cover illegal weapons, nuclear weapons, coal mining, oil sands, Arctic drilling of fossil fuels, production and distribution of pornography, and sanctions.

### **NAM Paris-Aligned Fossil Fuel Policy**

Furthermore, the underlying financial instruments must adhere to [NAM's Paris-Aligned Fossil Fuel policy](#) whereby the underlying financial instruments, with the exception of the tactical asset allocation fund, will not invest in companies that have significant exposure to fossil fuels unless they have a credible transition strategy.

## Data sources and processing

**(a) What are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?**

Nordea uses a range of different internal and external data sources and data providers to measure how the financial product performs on its sustainability indicators and to ensure that the underlying financial instruments are aligned with the ESG positions outlined in the Nordea Responsible Investment Product Distribution Policy and the criteria of the Sustainable Selection framework.

Furthermore, NAM uses a range of different internal and external data sources and data providers to ensure that the financial product is invested in accordance with the environmental and/or social characteristics promoted. Data received from external providers may be complemented by internal research and analysis provided by NAM's Investment Teams and the Responsible Investment Team.

More information about the external data sources used by NAM is available upon request.

**(b) What are the measures taken to ensure data quality?**

Nordea applies various measures to control the quality of the external and internal data sets used. This may include quality assurance to check that the external data values are in the expected range and behave as intended, review of the data and insights generated by said data by our analysts/specialists.

NAM applies various measures to control the quality of the external and internal data sets used. This may include internal control measures commonly used in computer programming such as:

- Quality assurance test whereby controls are made to check that the external data values are in the expected range and behave as intended.
- Unit testing whereby individual data and functions created to generate insights or transform said data are tested to determine if they are fit for use and produce the expected output.
- Four-eyes review of any code changes by NAM's specialists.
- Segregation of duties whereby there is a separation of responsibilities of key processes between more than one person, based on their area of expertise.
- Segregation of IT environments that protects the integrity and availability of the environment producing the data and allows for testing of new data in terms of quality and robustness before it is used in a production environment.
- Sanity test whereby the functionality and output of the system is tested to ensure that it works as expected.
- Review of the data and insights generated by said data by NAM's analysts/specialists.

Furthermore, to the extent possible, data reported by companies, regulatory authorities and/or non-governmental organisations are prioritised over data from data providers' estimation models. This is done in NAM in order to minimize the reliance on third party estimation efforts which in turns improves the overall quality of the data we use as input in our investment processes.

The external data providers and other data sources are assessed by NAM and Nordea on an ongoing basis for data quality, coverage and other attributes.

***c) How are data processed?***

As described above, the data used by Nordea partly derives from external data providers that provide raw data on the portfolio and issuer level. The data is processed in a quantitative and qualitative assessment to ensure alignment with policies mentioned in section a).

As described above, the data used by NAM partly derives from external data providers that provide raw data on issuer level. NAM seeks to obtain as much and the most granular company data possible.

In NAM the external data received is enriched with additional external data sets, it may be complemented by in-house ESG analysis of the data, and company identifiers (ISIN) are matched with the incoming raw data to companies that NAM can potentially invest in as well as current NAM investee companies.

***(d) What proportion of data is estimated?***

Although Nordea and NAM prioritize reported data over estimated data, Nordea and NAM do rely to some extent on estimations and on estimated data provided by our external data providers where reported data is not available or of adequate quality.

## **Limitations to methodologies and data**

***(a) Are there any limitations to the methodologies and data sources used?***

The fact that some proportion of the data received from external data providers may be estimated data, may be seen as a limitation to the methodologies and data sources.

Information is mainly based on historical data and may not reflect the future ESG performance or risks of the investments.

***(b) How do those limitations not affect how the environmental or social characteristics promoted by the financial product are met?***

To mitigate the limitations to data sources, Nordea and NAM have ensured having solid due diligence measures in place in relation to external data providers. Manual verification processes is another mitigating factor.

Nordea and NAM evaluate the quality of internal and external data on an ongoing basis, and continuously assess if new data providers can improve the analysis and models. Nordea and NAM have also implemented a Supplier Code of Conduct for data providers to follow. Prior to a data provider being chosen as a supplier, extensive market research is conducted, and the potential data providers are assessed on issues such as: data quality, coverage, security, methodology, price, reliability and conflict of interest.



## Due diligence

### ***Description of the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.***

As set out above, Nordea and NAM have implemented a “Supplier Code of Conduct” for data providers to follow. Prior to a data provider being chosen as a supplier, extensive market research is conducted, and the potential data providers are assessed on issues such as data quality, coverage, security, methodology, price, reliability and conflict of interest. NAM conducts due diligence reviews of all internal and external data on an ongoing basis, and continuously assesses if new data providers can improve the analysis and models.

ESG data in general is continually maturing and the data coverage is improving. Nordea and NAM are constantly searching the market for the data which adheres to EU regulation requirements and can be used to provide our clients with necessary reports on the products’ ESG profiles.

When it comes to calculation of any potential alignment with the EU Taxonomy, NAM strive to source data directly from companies, but as self-reported data remains scarce, this may be supplemented with data sourced from third party providers.

## Engagement policies

### ***Description of the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.***

Product providers in Nordea’s advisory universe are subject to engagement if their products encounter sustainability-related controversies that are in breach with the Responsible Investment Product Distribution Policy.

Please refer to Nordea’s Responsible Investment Product Distribution Policy for additional details on ESG position related to product providers and products. The Policy can be found [here](#).

Engagement is not part of the investment strategy of the financial product. However, NAM undertakes, on behalf of its clients, 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.

Please refer to relevant Engagement Policies for additional details. Engagement Policy for NIFSA can be found [here](#) and Engagement Policy for NIM can be found [here](#).

---

## Designated reference benchmark

### ***Description of whether an index has been designated as a reference benchmark to meet the environmental or social characteristics of the financial product and how such index would be aligned with the environmental or social characteristics of the financial product.***

The benchmark used by the financial product has not been designated as a reference benchmark for the purpose of attaining the E/S characteristics promoted by the financial product.

---

**Appendix - Amendments**

<b>Version</b>	<b>Amendment</b>	<b>Date of version</b>
1	First version of product-specific SFDR article 10 statement aligned with the SFDR regulatory technical standards published	1 January 2023
2	Additional details provided.	1 January 2024