

# Nordea

## **Nordea Asset Management – Responsible Investments**

**Forum for Strategisk CSR**

Arvinder Tiwana - Senior ESG Analyst - Responsible Investment

14.5.2018



## **Responsible Investment**

### ***A wide range of approaches and goals***

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Negative/exclusionary screening

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Positive/best-in-class screening

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Norms-based screening

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Integration of ESG factors

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Sustainability-themed investing

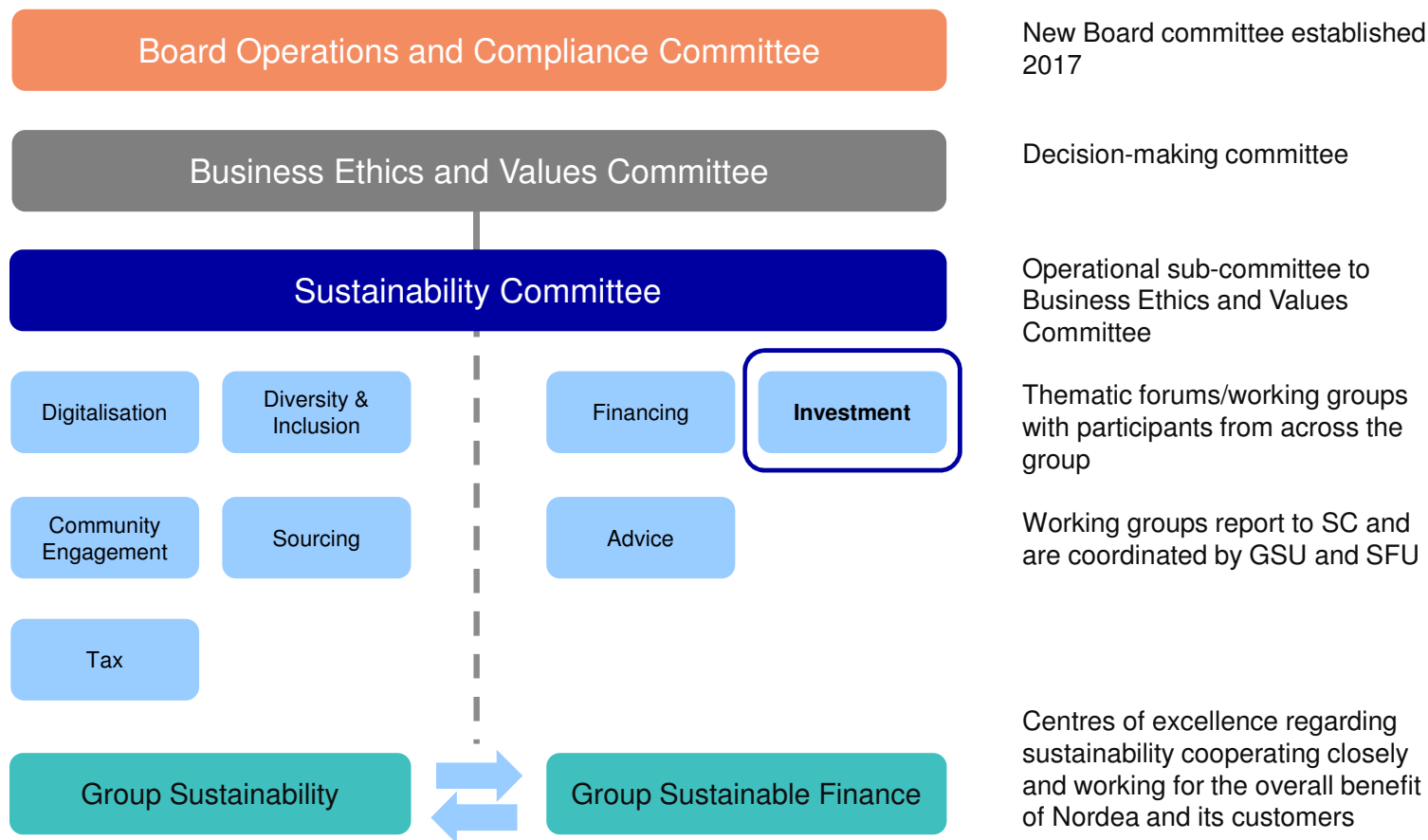
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Impact investing

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Corporate engagement and shareholder  
action

## Nordea Group's Sustainability Governance



Source: Nordea Investment Management AB

## Responsible Investment Team


**Katarina Hammar**  
Head  
Senior ESG Analyst




**Julien Grouillet**  
Senior ESG Analyst



**Olena Velychko**  
ESG Analyst



**Emir Borovac**  
ESG Analyst



**Arvinder Tiwana**  
Senior ESG Analyst



## Corporate Governance & Voting Team



**Erik Durhan**  
Head of Corporate Governance  
[Erik.durhan@nordea.com](mailto:Erik.durhan@nordea.com)  
+46 707 281 710

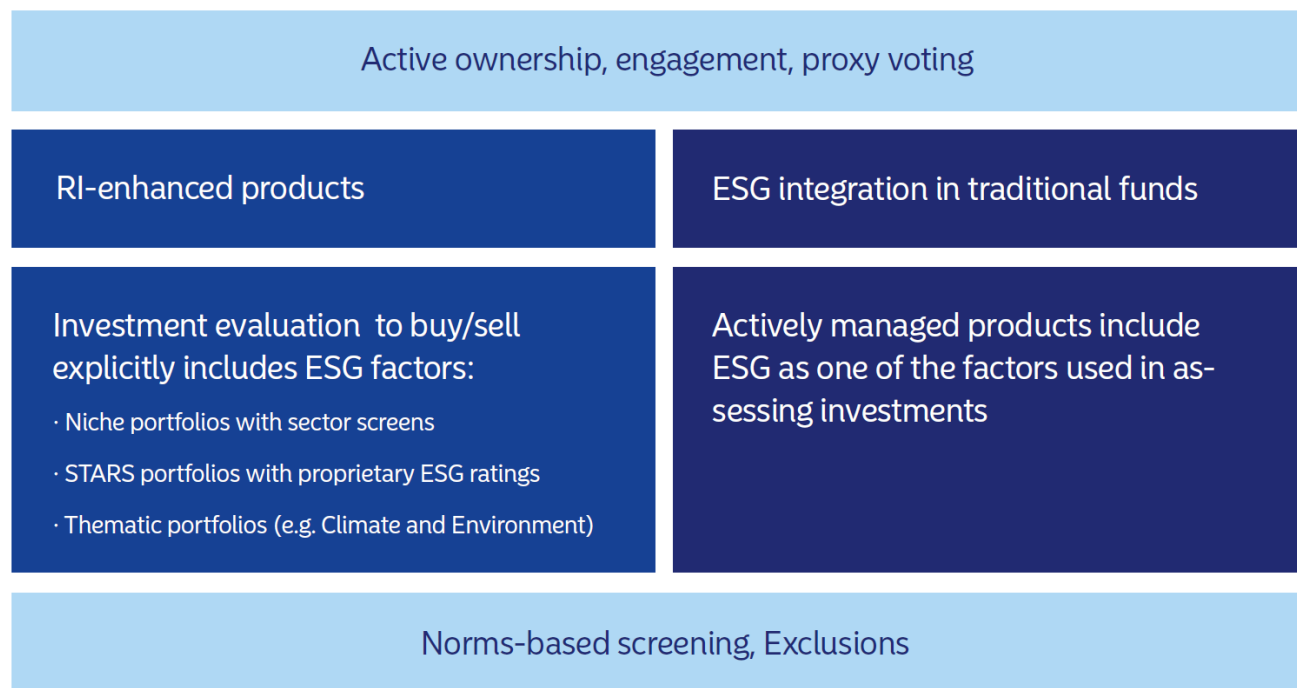


**Jan Särllvik**  
Corporate Governance  
Specialist  
[Jan.sarllvik@nordea.com](mailto:Jan.sarllvik@nordea.com)  
+46 733 577 035

Source: Nordea Investment Management AB



## Nordea Asset Management Responsible Investment Framework incorporates the PRI principles



Source: Nordea Investment Management AB

## RI-enhanced products

- **Nordea 1 – Nordic Stars Equity Fund**
  - AuM EUR 58 million
  - Launch August 2014
  - Performance since inception +27.35% (BP-EUR base share class)
- **Nordea 1 – Emerging Stars Equity Fund**
  - AuM USD 3,380 million
  - Launch April 2011
  - Performance since inception +29.05% (BP-USD base share class) vs. +8.14% for the benchmark (MSCI Emerging Markets - Net Return Index)
- **Nordea 1 – Global Stars Equity Fund:**
  - AuM USD 141 million
  - Launch May 2016
  - Performance since inception +17.87% (BP-USD base share class) vs. +24.26% for the benchmark (MSCI All Country World - Net Return Index)
- **Thematic Portfolios**
  - **Nordea 1 – Global Climate and Environment Equity Fund**
    - AuM EUR 882 million
    - Launch March 2008
    - Performance since inception +62.20% (BP-EUR base share class)
- **Beta+ Strategy**
  - MSCI low carbon target index
- **Other Stars Strategies**
  - Swedish Stars
  - Swedish Bond Stars
  - European Stars (to be launched Q4 2017)
- **Selected funds and mandates with negative screening**
  - Nordea norms-based exclusions
  - Sector criteria: 5% of revenues (weapon, pornography, alcohol, tobacco and gambling).
  - Fossil fuel criteria

Source: Nordea Investment Management AB

## Norm-based screening, Exclusions

- Responsible Investment Policy and exclusions governed by the Responsible Investment Committee
- Norm-based screening
  - All funds managed by Nordea AM are screened for verified violations of international norms regarding environmental protection, human rights, labour standards and business ethics.
  - We engage proactively with companies violating international norms; if a company does not change their norm-breaking behaviour, Nordea AM can decide to divest and exclude such a company.
- Exclusions:
  - production of illegal or nuclear weapons
  - sovereign bonds issued by governments subject to broad sanctions and fail to respect human rights
  - companies with 30% of revenues derived from sales of coal products and do not have a meaningful opportunity to diversify from coal
  - RI committee decisions re: Nordea AM norms-based engagements

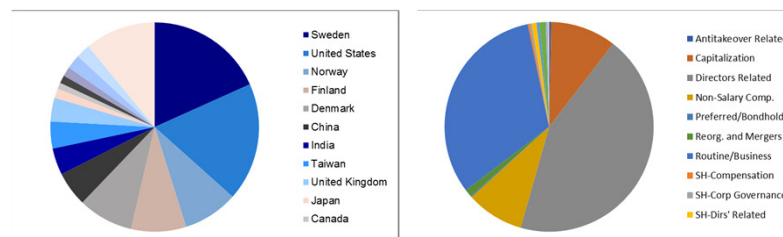


Source: Nordea Investment Management AB

## Active ownership, engagement, voting

- Corporate Governance Principles
- In-house corporate governance and engagement capabilities
  - Vote in more than 400 AGMs in 2017
  - Increased focus on emerging markets & RI-enhanced products
  - Membership in more than 35 Nomination Committees
- Development of engagement focus areas which include engagement with companies, industries and standard setting
  - Climate Change
  - Water
  - Corruption
  - Human Rights
- Monitoring of engagement outcomes via the Responsible Investment Committee

2017 Proxy voting breakdown by country and category

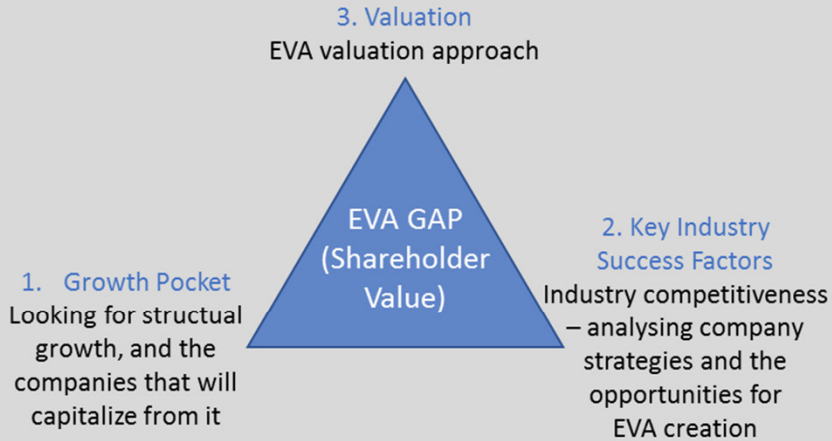


Active members in industry standard setting bodies



Source: Nordea Investment Management AB

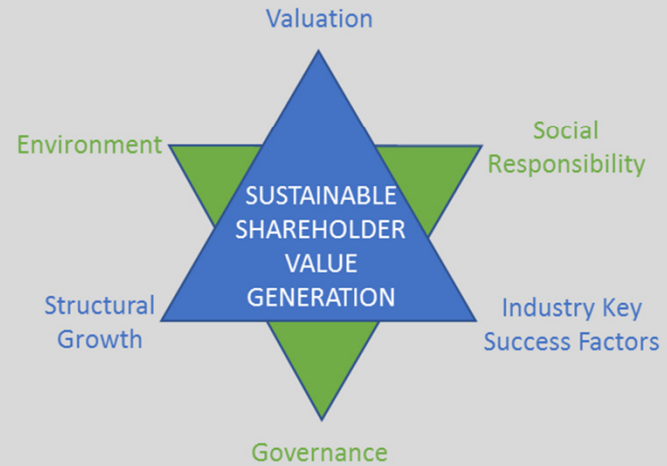




We believe there are three key steps to finding growth in EVA that is not priced by the market:

1. We search for the attractive growth pockets in EM where the changes between demand and supply in a given part of the economy may lead to an opportunity for a company to capitalize on these changes
2. Within these growth pockets we then identify the companies that have long-term competitive advantage the opportunity to and likelihood of creating a significant EVA delta via growth strategies
3. Detailed EVA valuation to determine whether this long-term EVA profile is priced by the market

A very important part of the strategic analysis is how ESG factors impact corporate competitiveness. In our ESG analysis it is essential that we understand both risk and upside opportunities, and how the company can enhance its growth opportunities from how it interacts with key stakeholders – i.e. search for the delta in its sustainability profile.



## Nordea ESG Analysis: Company ESG scorecard

ESG Scorecard: Company PLC					Rating: A-C / + -
Business model	Corporate Governance	Business ethics	Environment	Social	2017-06-12
Development Contribution	Board structure and independence	Key issue	Key issue	Key issue	
Country/Sector Risk	Board compensation practices	Key issue	Key issue	Key issue	
	Minority shareholder influence	Key issue	Key issue	Key issue	
	Diversity of Board & Executive management				
	Audit & Accounting practices				
	Sustainability governance				
Rating	A-C	A-C	A-C	A-C	A-C
- Risk exposure		1-3	1-3	1-3	
- Financial impact		1-3	1-3	1-3	
- Reputational		1-3	1-3	1-3	
Weight	30%	10%	Variable%	Variable%	Variable%

### Rating

- Key sector issues are identified
- These are complemented with key company specific issues
- Each pillar is rated – one overriding factor can not arbitrarily set the rating
- Policy, strategy, performance are KPIs evaluated

### Weighting

- Business model 30%
- Governance Quality 10% (implicitly assessed in the remaining three pillars)
- Business ethics, Environment and Social have variable weights based on
  1. Risk exposure: Materiality Key risk in more than 30% of operations in high risk area
  2. Financial Impact: Magnitude example fines 10% of revenue
  3. Reputational: Impact on brand/reputation

Source: Nordea Investment Management AB. Note: For illustrative purposes only.

**Nordea**

**Thank you!**



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