

# Website Disclosure - SFDR

**Product name :** NN Nordea Global Climate and Environment Fund

**Categorisation:** article 9

**Legal entity identifier (CODE LEI) :** 549300P1862TXM0YEB58

**Version :** 21/02/2023

## a) Summary

This fund has as its objective sustainable investment and will make a minimum percentage of sustainable investments. These are screened to ensure that they do not significantly harm any social or environmental investment objectives. The asset allocation of the fund is presented in the form of a chart that holds a specification of the minimum percentage of environmental and/or social sustainable investments that the fund commits to invest into. Specific sustainability indicators will be used to measure the attainment of the sustainable investment objective of the fund in accordance with the methodologies described below. Internal limit monitoring systems run pre- and post-trade screenings for the holdings of the fund. Pre-trade limits block the unfit investment opportunities from our portfolio management tool, and post-trade limits flag any exposure or activity that is not aligned with our investment guidelines.

Internal and external data sources and data providers are used to ensure that the fund is invested in accordance with the sustainable investment objective. Data received from external providers may be complemented by internal research and analysis. We aim to mitigate limitations to data sources by applying solid due diligence measures in relation to external data providers, and manual verification processes. We undertake a range of engagement activities on behalf of our clients to encourage improved ESG practices. The fund uses a benchmark that is not aligned with the sustainable investment objective.

## b) No sustainable investment objective

## Does this financial product have a sustainable investment objective?

☒ ☒ ☒ **Yes**

☒ It will make a minimum of **sustainable investments with an environmental objective: 85%**

☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective: \_\_%**

☐ ☐ ☐ **No**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments**

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

This fund has as its objective sustainable investment and commit to making a minimum percentage of sustainable investments, as illustrated above.

The sustainable investments are screened to ensure that they do not significantly harm any other social or environmental objectives (DNSH test) as defined by the EU Taxonomy or any SDGs as adopted by the UN.

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

NAM has developed a proprietary quantitative methodology that assesses the environmental and social impact of NAM's investment universe (direct investments mainly) using multiple principal adverse impact ("PAI") indicators from Table 1 and/or Table 2 and/or Table 3 of Annex 1 of the SFDR RTS (the "PAI tool"). The methodology utilises a diverse range of data sources in order to ensure that investee companies' performance is appropriately analysed. PAI indicators are assessed in NAM's PAI tool and the results are a material part of the DNSH test.

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

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

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

The fund aims to create positive environmental impact by investing in companies that are materially involved in economic activities that are considered environmentally 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 that reliable data is available, the Taxonomy technical screenings will be the reference point for the assessment of environmentally sustainable investments.

The fund uses a benchmark that 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 the Taxonomy Regulation.

More information can be found below in the Methodologies section.

### **d) Investment strategy**

#### **Description of the investment strategy used to attain the sustainable investment objective**

A fundamental bottom-up research process identifies companies that derive significant future cashflows from their contribution to environmental solutions. The fund invests in companies that are part of a proprietary investment universe of environmental solution providers. Companies in the investment universe are materially involved in economic activities that are considered environmentally sustainable. Companies are assessed based on their contribution to relevant environmental UN SDGs and/or their involvement in activities that are aligned with the EU Taxonomy.

#### **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.

#### **Exclusions**

Companies that are materially involved in the below activities are excluded from the investment universe of the fund. Companies' involvement is measured as the proportion of revenues deriving from the excluded activities. Different thresholds apply for determining the level of involvement that will result in an exclusion of a company from the investment universe. The list shows an aggregation of exclusions that result from NAM's general RI Policy and the additional exclusions that are added to the specific investment strategy.

- Adult entertainment

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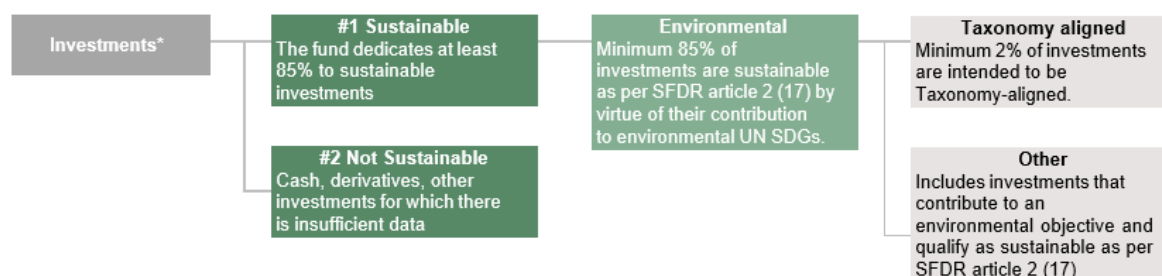
- Alcohol
- Weapons conventional
- Coal
- Gambling
- Gas
- Nuclear energy
- Nuclear weapons
- Oil
- Arctic drilling and oil sand
- Tobacco
- Unconventional weapons

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

Good governance practices of investee companies are addressed in various layers of the security selection process of 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.

### e) Proportion of investments

Illustrated below is the planned asset allocation for the investments of the financial product:



**#1 Sustainable** covers sustainable investments with environmental or social objectives.

**#2 Not sustainable** includes investments which do not qualify as sustainable investments.

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

### f) Monitoring of environmental or social characteristics

**Description of how the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.**

The following sustainability indicators are used to measure the attainment of the sustainable investment objective of the fund:

- **% alignment to EU Taxonomy:** Taxonomy-alignment is calculated as the share of each company's turnover that derives from taxonomy-aligned activities weighted by the weight of the position divided by the total investments of the financial product.
- **SDG 11 - Sustainable Cities and Communities:** SDG 11 is to make cities and human settlements inclusive, safe, resilient and sustainable.
- **SDG 12 - Responsible Consumption and Production:** SDG 12 is to ensure sustainable consumption and production patterns.
- **SDG 9 - Industry, Innovation and Infrastructure:** SDG 9 is to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Sector- and value-based exclusions and other binding restrictions are monitored in the limit system which is run internally by the Risk Management Limit Team (the "Limit Team"). When we decide to limit exposure to certain sectors or activities, we build those into our internal limit monitoring system that runs both pre- and daily post-trade screenings for our holdings. Pre-trade limits block the unfit investment opportunities from our portfolio management tool, and post-trade limits flag any exposure or activity that is not aligned with our investment guidelines. Depending on the E/S characteristic that the incident concerns, and depending on the type of exposure, certain specific action, such as divesting, may be taken.

## **g) Methodologies**

**What are the methodologies used to measure the attainment of the sustainable investment objective and how are the sustainability indicators to measure the attainment of the sustainable investment objective used?**

The methodologies that apply to measure the attainment of the sustainable investment objective of the fund, are set out here below.

### **Minimum proportion of sustainable investments**

Sustainable investment is defined under the SFDR as 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.

We take into consideration the regulatory framework for sustainable finance, as well as proprietary investment methodologies, to ensure that sustainable investments can be identified, invested in and measured.

In order to select sustainable investments, we apply three tests. The investment should pass all three tests to qualify as a sustainable investment.

- **Step 1:** Good governance test – a company needs to have sufficient processes in place related to the four good governance topics specified by the SFDR: sound management structures, employee relations, remuneration of staff and tax compliance, and must not be subject to significant controversies related to any of these topics
- **Step 2:** Do no significant harm test – a company cannot perform negatively on selected principal adverse impact ("PAI") indicators. 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. The thresholds defining negative outliers and poor performance vary for each PAI indicator
- **Step 3:** Environmental or Social Contribution – A minimum proportion of 20 per cent of the turnover of the company should come from economic activities that actively contribute to a sustainable objective. The sustainable objective can be an environmentally-sustainable objective defined in the EU Taxonomy Regulation ("EU Taxonomy"), or an environmental or social objective belonging to the list of United Nations Sustainable Development Goals (set out in the appendix below for illustration).

#### **Sustainable investments with an environmental objective aligned with the EU Taxonomy**

In line with the EU Taxonomy, the investment teams assess whether companies have a percentage of revenues exposed or potentially exposed to economic activities that substantially contribute to the objectives under the EU Taxonomy, while not significantly harming any other objectives outlined in the same regulation and meeting minimum social safeguards.

The assessment is currently conducted with data from third party providers as well as self-reported data from investee companies when available. Proprietary tools and processes to measure significant harm and minimum social safeguards have been developed. This takes a systematic assessment of adverse impacts into account.

The EU Taxonomy defines six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

Given that the EU Taxonomy does not aim at addressing the entirety of sustainable activities, our funds may make environmentally-sustainable investments that do not qualify as environmentally-sustainable under the EU Taxonomy.

## Sector- and value-based exclusions

Exclusions aim at limiting the investment exposure to certain sectors or activities that may be considered to be damaging for the environment and/or the society at large. Sector screenings assess a company's involvement in a specific activity measured by the revenue derived from this activity. Sector exclusions are the result of screenings based on the data and methodology of our selected data vendors.

### NAM Paris Aligned Fossil Fuel Policy

NAM's Paris-Aligned Fossil Fuel Policy ("PAFF"), has been developed with the Paris agreement in mind. The Paris agreement is a legally binding international treaty on climate change. Its goal is to limit global warming, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. The NAM PAFF Policy sets thresholds for companies' exposure to fossil fuel production, distribution and services, which are implemented and monitored as specific exclusions in our limit system. However, investments may be allowed in companies that help accelerate the transition to clean energy and phase out of fossil fuel.

## h) Data sources and processing

### a) What are the data sources used to attain the sustainable investment objective of the financial product?

We use a range of different internal and external data sources and data providers to ensure that the fund is invested in accordance with the sustainable investment objective of the fund. Data received from external providers may be complemented by internal research and analysis provided by our Investment Teams and the Responsible Investment team.

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

We apply 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 our 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 our 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 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 on an ongoing basis for data quality, coverage and other attributes.

**c) How is data processed?**

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

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 we can potentially invest into as well as current investee companies.

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

Although we prioritise reported data over estimated data, we 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.

**i) 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 the attainment of the sustainable investment objective of the financial product?**

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

We 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. We 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.



### c) Due diligence

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

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. As set out above, we 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.

When it comes to calculation of any potential alignment with the EU Taxonomy, we 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. ESG data in general is continually maturing and the data coverage is improving. NAM is 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.

### d) Engagement policies

**Art 9 Description of the engagement policies implemented where engagement is part of the sustainable investment objective, including any management procedures applicable to sustainability-related controversies in investee companies.**

On behalf of our clients, we 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.

### e) Designated reference benchmark

**Description of how an index designated as reference benchmark is aligned with the sustainable investment objective of the financial product.**

The fund uses a benchmark that is not aligned with the fund's sustainable investment objective.

Sustainability information contained in this product document has been compiled by NN Insurance Belgium SA/NV to the best of its ability. However, NN is dependent on the information on the various sustainability aspects made available by the asset managers. However, the legislation requiring this information to be made available only came into force on 1 January 2023. The information in this document has therefore been compiled on the basis of the information made available to date and may be modified and/or supplemented in line with the information that will be provided by asset managers in the coming years.