

## Nordea Investment Funds S.A.

### SRD II disclosure report

(covering the 2020 year)

#### 1. General

Nordea Investment Funds S.A. (“NIFSA”) is a Luxembourg asset manager and wholly owned subsidiary of Nordea Asset Management.

As part of NIFSA’s regulatory obligations and its efforts to ensure effective and sustainable shareholder engagement, NIFSA has adopted an engagement policy (the “Policy”). The Policy provides the funds’ stakeholders with an overview of how NIFSA intends to ensure compliance with Article 3g of the Shareholder Rights Directive II (“SRD II”) and adherence to Article 1 sexies of the Grand Ducal Law of 1 August 2019 amending the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in listed companies. The Policy is at all times available on Nordea’s website.

This SRD II disclosure report has been executed as part of NIFSA’s regulatory obligation with the intention to publicly disclose information about the implementation of the Policy, including:

- A general description of voting behaviour.
- An explanation of the most significant votes.
- The use of the services of proxy advisors.
- How votes have been cast in the general meetings of companies in which shares are held.

Active corporate governance is a central aspect of NIFSA’s duty on behalf of shareholders and must always be conducted in their interests. Our guidelines relating to these issues are brought together in the document corporate governance principles (the “Corporate Governance Principles”). These principles shall be seen as overall guidelines for corporate governance to be applied to all investment funds for which NIFSA is the appointed management company (the “Funds”). The Corporate Governance Principles are available to read on Nordea’s website and summarise our view on a range of governance issues such as board appointments, compensation issues and sustainability.

Corporate governance work is conducted actively in all Nordic countries and internationally. In 2020 NIFSA voted at the general meetings of companies based in over 35 countries, with a predominance of Nordics, the US, the UK and China, and an increasing percentage in emerging economies. The voting portal (the “Voting Portal”) provides detailed information about how the Corporate Governance Principles have been implemented through votes during the year. The Voting Portal can be found here: <https://vds.issgovernance.com/vds/#/NzI0Nw==/>

Any reference to “We” throughout this document shall be construed as a reference to NIFSA and the Funds jointly.

#### 2. A general description of voting behaviour

We believe that sound corporate governance contributes to shareholder value and adds value to equity investments. Our corporate governance team (the “Corporate Governance Team”) is responsible for defining and executing our Corporate Governance Principles. Our Corporate Governance Principles guide the way we vote and in which issues we decide to engage with companies.

Every year, we vote and engage on a myriad of issues and on some we have a focused stance. For instance; we strongly believe that the Chief Executive should not be the same person as the Chairman of the board. One of the most important tasks of a company's board of directors is to oversee and evaluate top management, and in our view this aspect potentially becomes compromised if there is a CEO/Chairman of the board combination. Cisco, Facebook and Amazon are examples of companies where we supported shareholder proposals to separate the CEO and COB roles and we also voted against election of the CEOs to the board.

We regularly engage with companies to explain our voting rationale, and we try to be as proactive as possible to get companies, if possible, to alter proposals in line with our principles. Furthermore, we are strict when it comes to remuneration proposals containing time based awards. Just showing up for work should not be the foundation for a long term incentive program, and accordingly we disapprove of any pay package containing a large part of time based compensation. This is common in the US, and hence we vote against a majority of such proposals.

Increasingly we see non-financial KPIs being introduced into compensation programs, which has been part of our expectations for some time. We believe it is positive and enables the company to tie part of the compensation to, for instance, ESG-related criteria.

We also generally vote against any proposal to limit minority rights, such as higher threshold to call extraordinary general meetings, or limiting the ability for shareholders to vote or express their views. We are happy to see an increasing number of shareholder proposals regarding lowering such thresholds, and we generally support them.

Generally we focus on companies in which we can have a significant impact, such as firms in which we have a substantial ownership share or if we have a large aggregated position. ESG issues are also high on our agenda, and we strive to put extra emphasis on companies which we own in our sustainability tilted products. It is interesting and encouraging to see the number of shareholder proposals on climate and social issues continue increase over time. The Corporate Governance Team works very closely with the responsible investment unit and the portfolio managers to align the stewardship work on these and all other issues. During 2020 we supported a large number of such shareholder proposals at general meetings in companies, for example in Amazon and Alphabet on issues concerning personal integrity, FedEx on lobbying issues and Procter & Gamble on deforestation.

It is often important to discuss issues on which NIFSA's views differ from the board's proposals before the general meeting to give the company the opportunity to change the proposal. Some companies asked additional questions about the application of voting instructions to clarify our view. A number of companies also explained their general meeting proposals in accordance with Nordea's voting instructions more actively than before, while other companies chose to change their proposals. Together with other institutional investors we have also convinced companies to withdraw proposals that were impossible for us to support and instead put forward revised proposals. NIFSA takes a positive view of close contacts between companies and large owners regarding proposals at general meetings.

### **3. An explanation of the most significant votes and how votes have been cast in the general meetings of companies in which shares are held**

The ongoing pandemic has had a significant impact also on corporate governance in general and on voting in annual general meetings in particular. Sadly, we have not been able to physically attend as many general meetings as we normally would, but instead focused on providing support to companies on, for example, dividend policies and remuneration implications.

During 2020 we voted at over 700 annual general meetings/extraordinary general meetings on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programmes and capital structure.

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. For the 2020 season, we joined more than 40 such committees, and during 2019-2020 we saw female representation on these companies' boards improve to just shy of 40%. This is roughly in line with our goal of 40%/60% representation of any gender. We also strive to introduce ownership-led nomination committees in other countries, and over the last couple of years we have managed to help facilitate such changes in both Finland and Denmark.

For information about important votes during the year 2020, please see Appendix A - examples of important votes 2020 and the Voting Portal : <https://vds.issgovernance.com/vds/#/NzI0Nw==/>

#### **4. The use of the services of proxy advisors**

Institutional Shareholder Services and Nordic Investor Services are selected to provide proxy voting services after a thorough benchmarking and request for proposal process that included the major providers of proxy voting services. We perform regular due diligence to ensure operational integrity, quality of research and implementation of the Nordea custom voting policy.

## Appendix A - Examples of important votes 2020

COMPANY	SUMMARY OF THE RESOLUTION	OUR VOTE	RATIONALE FOR THE VOTING DECISION	OUTCOME
<b>Oracle</b>	Advisory note to ratify named executive officers' compensation.	AGAINST	We think that bonuses and share based incentives only should be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. For a majority of executive officers targets are lacking and for some the levels are extremely high. We also voted against re-election of the proposed board members in the compensation committee.	FOR
<b>Oracle</b>	Report on gender pay gap (shareholder proposal).	FOR	Oracle is lagging other large IT companies when it comes to reporting on gender pay gap.	AGAINST
<b>Cisco</b>	Require independent board Chairman (shareholder proposal).	FOR	Our opinion is that it is in the best interest of shareholders to separate the CEO and COB functions and therefore we supported the shareholder proposal as well as voted against Charles H. Robbins as COB.	AGAINST
<b>Amazon</b>	Require independent board Chairman (shareholder proposal).	FOR	Our opinion is that it is in the best interest of shareholders to separate the CEO and COB functions and therefore we supported the shareholder proposal as well as voted against Jeffrey Bezos as COB.	AGAINST
<b>Amazon</b>	Report on potential human rights impacts of customers' use of recognition (shareholder proposal).	FOR	We see potential risks with the company's face recognition technology, which not least hundreds of the company's own employees and human rights groups have noticed and protested against. We also supported the shareholder proposal to publish a report on customers' use of its surveillance and computer vision products or cloud-based services	AGAINST

<b>Starbucks</b>	Elect Director Jorgen Vig Knudstorp.	AGAINST	We have together with other investors been engaging with the company for several years. Since Starbucks's new sustainability goals do not include any human rights related issues we voted against re-election of Mr. Knudstorp as director since he is Chair for the nominating and corporate governance committee, responsible for sustainability.	FOR
<b>Alphabet</b>	Establish risk oversight committee (shareholder proposal).	FOR	At the Alphabet annual general meeting we supported a number of shareholder proposals, besides Establishment of a risk oversight committee, such as report on takedown requests and report on whistle-blower policies and practices. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.	AGAINST
<b>Procter &amp; Gamble</b>	Advisory vote to ratify named executive officers' compensation.	AGAINST	This is a typical incentive program for an US company, and we vote against most of them. We think that bonuses and share based incentives only should be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. In this case the total dilution is high. We also voted against election of David S. Taylor as COB since he is CEO.	FOR
<b>Procter &amp; Gamble</b>	Report on efforts to eliminate deforestation (shareholder proposal).	FOR	PG lags on implementing its existing no-deforestation commitment, achieving RSPO certification for only one-third of its palm oil supply. Additionally, PG lacks a comprehensive plan to mitigate exposure to deforestation and forest degradation throughout its operations; its current sourcing policies allow the company to source from critical ecosystems.	AGAINST

<b>FedEx</b>	Report on lobbying payments and policy (shareholder proposal) and integrating ESG metrics in executive compensation.	FOR	FedEx spends large sums direct and through memberships in different organizations on lobbying with very limited transparency for shareholders.	AGAINST
<b>Tesla</b>	Additional reporting on human rights (shareholder proposal).	FOR	Several existing and potential controversies in regards to employee rights and suppliers warrant a FOR vote.	AGAINST
<b>Mizuho Financial Group</b>	Disclose plan to outline business strategy to align investments with the goals of the Paris agreement (shareholder proposal).	FOR	We support that the company shall disclose in its annual reporting a plan outlining the company's business strategy, including metrics and targets, to align its investments with the goals of the Paris agreement.	AGAINST
<b>Barclays</b>	Board proposal on commitment to tackling climate change and shareholder proposal to set and disclose climate related targets.	FOR/FOR	Multiple climate proposals aimed at tackling climate change, being net zero bank by 2050 and limit financial services to energy companies that does not live up to the Paris goals.	AGAINST
<b>Chr Hansen Holding A/S</b>	Apply the recommendations of the task force on climate-related financial disclosures as the framework for climate-related disclosure in the company's annual report.	FOR	Report according to task force on climate-related financial disclosures. The aim is to ensure transparency on how considerations regarding climate change are integrated into strategic business decisions, and the risk exposure identified.	AGAINST