

LUX IM – NORDEA EUROPEAN COVERED BOND (“Sub-fund”)

Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

Section	Disclosure
No sustainable investment objective	The Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.
Environmental or social characteristics of the financial product	The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics (sector and value-based exclusions, fossil fuel policy and principal adverse impacts on sustainability factors) in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.
Investment strategy	<p>The investment objective of the Sub-fund is to provide capital preservation and attractive return over the medium to long-term by investing in a diversified and flexibly managed portfolio focused on European covered bonds. The portfolio construction process combines a macroeconomic country assessment of the covered bonds’ market and an analysis of the target issuers aiming to select the most attractive bonds in terms of relative value and fair value spreads.</p> <p>Target investments are subject to the following sustainability indicators, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics.</p> <ul style="list-style-type: none"> ▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; ▪ Nordea Asset Management (“NAM”) Paris-Aligned Fossil Fuel policy ▪ Consideration of principal adverse impacts (PAI) <p>Good governance practices of investee companies is addressed in various layers of the security selection process. Governance safeguards are inherent in the NAM level norms-based screening as well as the NAM PAI processes. Additionally, at the Sub-fund level, companies are screened for good governance by assessing 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.</p>
Proportion of investments	<p>The Sub-fund invests 70% of its net assets to investments that are aligned to the promoted environmental and social characteristics, with the exception of any investments in cash, financial derivative instruments and other investments for which there is insufficient data.</p> <div style="text-align: center;"> <pre> graph LR A[Investments] --- B[#1 Aligned with E/S characteristics 70%] A --- C[#2 Other] </pre> </div> <p>The remaining investments of the Sub-fund (“#2 Other”) may be invested in (i) ancillary cash and cash equivalents for liquidity purposes within the limits prescribed by applicable laws, (ii) derivatives which may be used for hedging and investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) securities of issuers not aligned with the promoted environmental or social characteristics for which relevant data is not available, and may be used within the Sub-fund’s investment objective of capital preservation and attractive return over the medium to long-term. No minimum environmental or social safeguards apply to the underlying securities.</p>
Monitoring of environmental or social characteristics	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the following binding elements:</p> <ul style="list-style-type: none"> ▪ Negative screening (severe controversies and specific activities, e.g. controversial and nuclear weapons; conventional weapons; adult entertainment; coal; tobacco; gambling) ▪ Nordea Asset Management (“NAM”) Paris-Aligned Fossil Fuel policy (limiting the carbon footprint resulting from the investment portfolio) ▪ PAI consideration
Methodologies for environmental or social characteristics	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target investments is assessed based on the negative screening, Nordea Asset Management (“NAM”) Paris-Aligned Fossil Fuel policy, and PAI consideration procedures.</p> <p>Internal controls are in place in respect of investment decision making for the Sub-fund. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times and independent oversight by risk management functions as required.</p>

Section	Disclosure
Data sources and processing	The Investment Manager uses a range of external data providers of ESG data, as well as internal research and our proprietary ESG platform. Nordea 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
Limitations to methodologies and data	The limitations to the attainment of the promoted environmental and social characteristics, are deemed non-material, as the investment universe of the Sub-fund provides an appropriate level of disclosure and coverage of required information by the Investment Manager to allow for the application of the investment methodology.
Due Diligence	In order to qualify for initial investment, the target investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place
Engagement Policies	This section is not applicable, as the Sub-fund is not deploying an ESG engagement strategy for the attainment of the promoted environmental or social characteristics.
Designated reference benchmark	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.