

LUX IM – NORDEA EUROPEAN COVERED BOND

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

Preamble

LUX IM – NORDEA EUROPEAN COVERED BOND (“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.

The Sub-fund does not invest in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”).

The Sub-fund is not considering the EU criteria for environmentally sustainable economic activities as defined under the EU Taxonomy Regulation to determine the attainment of the sustainable environmental or social characteristics that it promotes.

The Sub-fund invests a minimum of 70% of its net assets to investments that are aligned to the promoted environmental and social characteristics.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
Summary Article 25 – SFDR II	In the website section ‘Summary’ referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.	Please refer to the standardized 2 pager summary https://www.bgfml.lu/site/en/home/sustainable.html
	<p>The website section ‘Summary’ referred to in Article 24, point (a), shall be provided in at least the following languages:</p> <p>(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;</p> <p>(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.</p>	
No sustainable investment objective Article 26 – SFDR L2	In the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), financial market participants shall insert the following statement: “This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.”	This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.
	Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of the following:	
	<ul style="list-style-type: none"> how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account; 	
	<ul style="list-style-type: none"> whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. 	
Environmental or social	In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market	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

Section	Regulatory Requirements	Disclosure
characteristics of the financial product Article 27 – SFDR L2	participants shall describe the environmental or social characteristics that the financial products promote.	impacts on sustainability factors) in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.
Investment strategy Article 28 – SFDR L2	<p>In the website section ‘Investment strategy’ referred to in Article 24, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> the investment strategy used to meet the environmental or social characteristics promoted by the financial product; 	<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>The Sub-fund’s investment in other UCITS and/or UCI, including ETFs (“target funds”), will focus on the target funds which adhere to similar ESG and sustainable investment criteria as the ones adopted by the Sub-fund.</p> <p>The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers and encompasses the following binding elements.</p> <p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</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
	<ul style="list-style-type: none"> the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance. 	<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 Article 29 – SFDR L2	In the website section ‘Proportion of investments’ referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.	<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. The asset allocation may change over time and percentages should be seen as an average over an extended period of time. Calculations may rely on incomplete or inaccurate Investment Manager or third party data. The Sub-fund’s investment in other UCITS and/or UCI, including ETFs (“target funds”), will focus on the target funds which adhere to similar ESG and sustainable investment criteria as the ones adopted by the Sub-fund. The Sub-fund does not use derivatives to attain its environmental or social characteristics.</p>

Section	Regulatory Requirements	Disclosure
		<div> <div>Investments</div> <div> <div>#1 Aligned with E/S characteristics 70%</div> <div>#2 Other 10%</div> </div> </div> <p>#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.</p> <p>#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.</p> <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>
<p>Monitoring of environmental or social characteristics</p> <p>Article 30 – SFDR L2</p>	<p>In the website section ‘Monitoring of environmental or social characteristics’ referred to in Article 24, point (f), financial market participants shall describe 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.</p>	<p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <p>Negative Screening</p> <p>Exclusion of target issuers that:</p> <ul style="list-style-type: none"> are involved in severe controversies according to the United Nations Global Compact; are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities) <ul style="list-style-type: none"> controversial and nuclear weapons; conventional weapons; adult entertainment; coal; tobacco; gambling <p>Nordea Asset Management (“NAM”) Paris-Aligned Fossil Fuel policy</p> <p>Target issuers having complied with the negative screening are further assessed through the application of the Nordea Asset Management’s Paris-Aligned Fossil Fuel Policy, which aims at limiting the carbon footprint resulting from the investment portfolio. This means that the product will not invest in companies</p>

Section	Regulatory Requirements	Disclosure
		<p>with material involvement in fossil fuel production, distribution or services if they do not have a documented transition strategy that aligns with the Paris Agreement.</p> <p>PAI consideration</p> <p>Nordea's proprietary quantitative PAI tool assesses the performance of full investment universe across multiple PAI indicators. The Investment Manager is required to consider the negative consequences of the investment decisions as indicated by PAI indicators as part of the portfolio management process. The specific PAI indicators that are taken into consideration are subject to data availability and may evolve with improving data quality and availability.</p> <p>More information on how PAIs are considered during the reference period will be made available in the periodic reporting of the Sub-fund.</p>
<p>Methodologies for environmental or social characteristics</p> <p>Article 31 – SFDR L2</p>	<p>In the website section 'Methodologies for environmental or social characteristics' referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.</p>	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the above-described negative screening, Nordea Asset Management ("NAM") Paris-Aligned Fossil Fuel policy procedures, and consideration of principal adverse impacts (see 'Monitoring of the sustainable investment objective').</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 binding elements are observed at all times and independent oversight by risk management functions as required.</p>
<p>Data sources and processing</p> <p>Article 32 – SFDR L2</p>	<p>In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> the data sources used to attain each of the environmental or social characteristics promoted by the financial product; the measures taken to ensure data quality; how data are processed; the proportion of data that are estimated. 	<p>Given the size of Nordea's investment universe across its various investment boutiques and strategies, the Investment Manager uses a range of external data providers of ESG data, as well as internal research and A proprietary ESG platform.</p> <p>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. The Investment Manager has also implemented a Supplier Code of Conduct and requests that data providers respect it. 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.</p> <p>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 with necessary reports on the funds' ESG profiles.</p>
<p>Limitations to methodologies and data</p> <p>Article 33 – SFDR L2</p>	<p>In the website section 'Limitations to methodologies and data' referred to in Article 24, point (i), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h); 	<p>Considering the above detailed investment methodology as well as the data sources, 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.</p>

Section	Regulatory Requirements	Disclosure
	<ul style="list-style-type: none"> how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met. 	Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund identified.
Due Diligence Article 34 – SFDR L2	In the website section ‘Due diligence’ referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.	In order to qualify for initial investment, the 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 Article 35 – SFDR L2	In the website section ‘Engagement policies’ referred to in Article 24, point (k), financial market participants shall describe 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.	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 – Optional Article 36 – SFDR L2	In the website section ‘Designated reference benchmark’ referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.