

Template pre-contractual disclosure for financial products referred to in Article 8 of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means 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.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Nordea 1 - Emerging Stars Equity Fund

Legal entity identifier: 549300UFJQR77N3UYE48

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

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

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**: ____%

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 50% 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**



What environmental and/or social characteristics are promoted by this financial product?

The E/S characteristics of this fund include:

Minimum proportion of sustainable investments The fund partly invests in sustainable investments, which means companies and issuers involved in activities that contribute to an environmental or social objective as outlined in UN SDGs and/or the EU Taxonomy, while not significantly harming any other environmental or social objectives.

ESG scoring The fund invests in companies that have been analysed and scored in NAM's proprietary ESG tool to ensure that only securities issued by companies that meet the minimum required ESG score are eligible for inclusion.

Sector- and value-based exclusions Exclusion filters are applied to the portfolio construction process to restrict investments in companies and issuers with significant exposure to certain activities deemed to be detrimental to the environment or the society at large, including tobacco companies and fossil fuel companies.

NAM's Paris-Aligned Fossil Fuel policy Exposure to fossil fuel companies is governed by the fund's adherence to NAM's Paris-Aligned Fossil Fuel Policy which aims at limiting the carbon footprint resulting from the investment portfolio.

Principal Adverse Impact ("PAI") The negative impact of investments on sustainability factors is taken into consideration as an integrated part of the investment process.

The fund uses a benchmark that is not aligned with the fund's E/S characteristics.

- **What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?**

To measure the attainment of the environmental or social characteristics, the investment manager will use climate-, other environmental and social indicators to the extent that relevant data is available. More information on the indicators can be found in the sustainability-related [website disclosures](#) in accordance with SFDR article 10.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The objectives of the sustainable investments that the fund partially intends to make, is to contribute to one or several of the UN SDGs or alternatively be involved in Taxonomy aligned activities. Sustainable investments contribute to the objectives through the fund's investments in companies that support the UN SDGs or Taxonomy aligned activities by passing a minimum threshold for revenue alignment with UN SDGs or the EU Taxonomy.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

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 sustainable investments have passed a test determining that they do not significantly harm any other social or environmental objectives (DNSH test). NAM has developed a proprietary quantitative "PAI tool" that assesses the performance of NAM's full investment universe across multiple PAI indicators. The tool utilises a diverse range of data sources across numerous ESG thematic areas in order to ensure that investee companies' performance is appropriately analysed, using a rigorous in-house methodology. The output from the PAI tool is the basis for the DNSH test and the results are further enriched with additional third party data covering environmental and social factors to arrive at the test result.

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

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 with the OECD guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is tested and assured as part of the process to identify sustainable investments using NAM's "PAI tool".

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

- No,
- Yes, NAM's proprietary quantitative PAI tool assesses the performance of NAM's full investment universe across multiple PAI indicators. Portfolio managers are required to consider the negative consequences of their 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.

Information on PAI on sustainability factors will be made available in the annual report to be disclosed pursuant to SFDR Article 11(2).



What investment strategy does this financial product follow?

The fund is managed according to the Stars investment strategy which includes a commitment to apply the NAM proprietary ESG model to analyse and select investments that epitomize the ESG characteristics of the fund.

The analysis is performed via an enhanced due diligence on material ESG issues that are relevant to the investee company. Furthermore, each company's business model alignment with relevant UN SDGs is taken into consideration as well the company's approach to managing ESG risks. Depending on the outcome of the analysis, the company will be assigned an ESG score from C to A. Stars eligible investments must have an ESG score in the B or A range.

ESG scores are reassessed regularly, and any breach of international norms or severe company specific events will trigger an ad hoc reassessment of the ESG score.

Companies and issuers are analysed and screened using NAM's proprietary methodology to identify and select sustainable investments that will contribute to the proportion of such investments.

More information on the general investment policy of the fund can be found in the Investment Objective and Policy section of the prospectus.

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.

Responsible Investment Policy

A NAM level overlay of norms-based screening and exclusion list is deployed as baseline safeguards through NAM's Responsible Investment Policy that bans investments in companies active in the production of illegal or nuclear weapons and companies with exposure to coal mining exceeding a predefined threshold. Based on regular screenings, NAM's Responsible Investment Committee instigates appropriate action for any company that is allegedly involved in breaches of, or controversies around, international laws and norms. If engagement fails or is deemed futile investments may be put on hold or the company may be placed on the exclusion list. More information can be found on the website in the [Responsible Investment Policy](#) and the [Corporate Exclusion List](#).

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the financial product?**

- Direct investments must meet the minimum threshold for ESG score.
- Proportion of sustainable investments as defined by NAM's proprietary methodology that identifies sustainable investments based on contribution to UN SDGs and/or Taxonomy-aligned activities.
- Sector- or value-based exclusions prevent investments into activities that are deemed to be inappropriate for the strategy. More information on the exclusion policy is available in the sustainability-related website information in accordance with SFDR article 10.
- NAM's Paris-Aligned Fossil Fuel Policy sets thresholds for companies' exposure to fossil fuel production, distribution and services. This means that the fund will not invest in companies 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.
- The fund adheres to NAM's Responsible Investment Policy and does not invest in companies that are on Nordea's exclusion list due to violation of international norms or involvement in controversial business activities.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The binding elements are documented and monitored on an ongoing basis. Separately, NAM has in place risk management processes to control financial and regulatory risk and ensure appropriate escalation of any potential issues within a clear governance structure.

NAM conducts a thorough due diligence on external data vendors to clarify applied methodologies and verify data quality. However, as the regulation and standards of non-financial reporting is rapidly developing, data quality, coverage and accessibility remains challenging – especially for smaller companies and less developed markets.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

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 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.

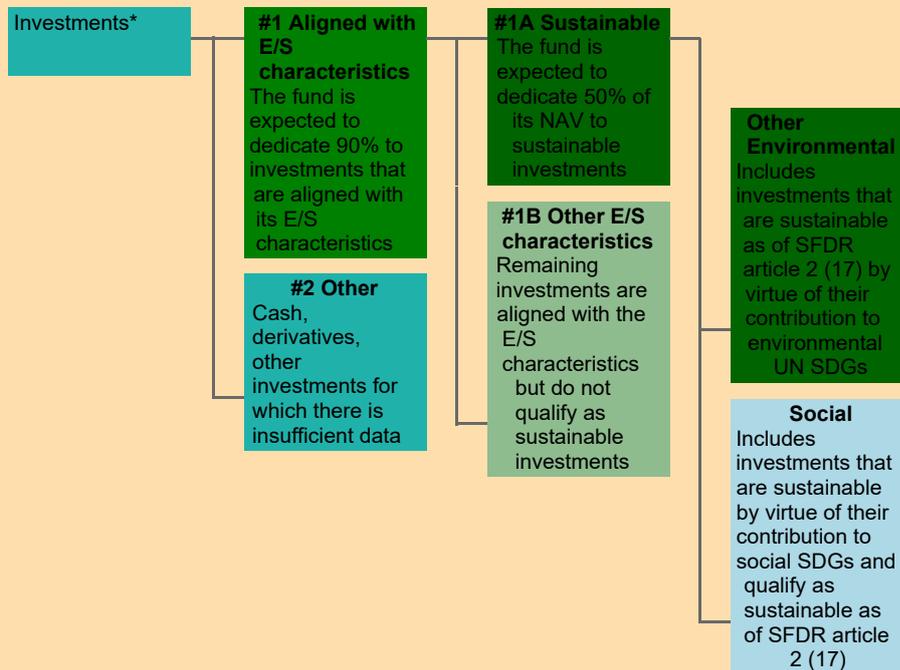


What is the asset allocation planned for the financial product?

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#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.

#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.

The category **#1 Aligned with E/S characteristics** covers:

- The Subcategory **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

*Investments means the fund's NAV which is the total market value of the fund.

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 company or third party data.

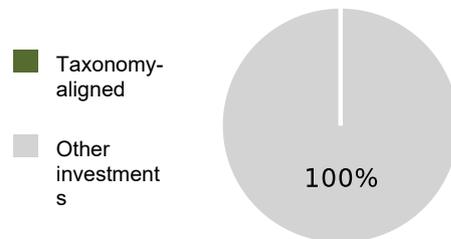


To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

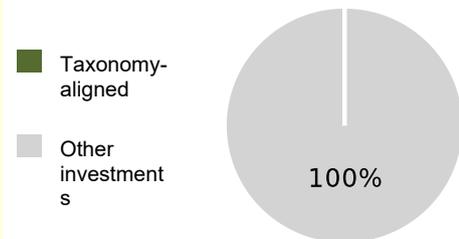
Sufficiently reliable data on Taxonomy alignment is scarce and the data coverage remains too low to support a meaningful commitment to a minimum proportion of Taxonomy-aligned investments in this fund. It cannot be excluded that some of the fund's holdings qualify as Taxonomy-aligned investments. Disclosures and reporting on taxonomy alignment will develop as the EU framework evolves and data is made available by companies.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What is the minimum share of investments in transitional and enabling activities?

There is no commitment to a minimum proportion of investments in transitional and enabling activities.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The fund may invest in economic activities that are not yet eligible to be environmentally sustainable economic activities or for which the technical standards are not yet finalised. Company data of EU Taxonomy alignment is not yet widely available from public disclosures by investee companies. However, certain investments may be linked to environmental objectives by virtue of their contribution to UN SDG's.



What is the minimum share of socially sustainable investments?

The fund contains investments with both an environmental and a social objective. There is no prioritization of environmental and social objectives, and the strategy does not target any specific allocation or minimum proportion for either of these categories. The investment process accommodates the combination of environmental and social objectives by allowing the investment manager the flexibility to allocate between these based on availability and attractiveness of investment opportunities.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Cash may be held as ancillary liquidity or for risk balancing purposes. The fund may use derivatives and other techniques for the purposes described in the ‘What the funds can use derivatives for’ section in the prospectus. This category may also include securities for which relevant data is not available.



Can I find more product specific information online?

More product-specific information can be found on nordea.lu