

## Sustainability related disclosures

*Capitalised terms used but not defined herein shall have the meanings set forth in the Fund's supplement.*

**Fund name:** European STARS Equity FAM Fund

**Legal entity identifier:** 254900TOMCSFNB6RAO25

The Management Company has populated this Annex using information provided by the Investment Manager of the Fund, **BNP Paribas Asset Management France**.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input checked="" type="checkbox"/> It promotes <b>Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

### A. Summary

This Fund promotes certain environmental and/or social characteristics. It does not have as its objective sustainable investment but commits to a minimum proportion of such investments.

Specific sustainability indicators will be used to measure the attainment of the environmental and/or social characteristics of the Fund in accordance with the

methodologies described below. The asset allocation of the Fund is presented in the form of a chart that holds a specification of the percentage of investments expected to be aligned with the environmental and/or social characteristics of the Fund and the commitment to sustainable investments. 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 NAM's portfolio management tool, and post-trade limits flag any exposure or activity that is not aligned with NAM's investment guidelines.

Internal and external data sources and data providers are used to ensure that the Fund is invested in accordance with the environmental and/or social characteristics promoted. Data received from external providers may be complemented by internal research and analysis. NAM aim to mitigate limitations to data sources by applying solid due diligence measures in relation to external data providers, and manual verification processes.

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## **B. No sustainable Investment Objective**

The Fund promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

### **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?**

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 does this financial product take into account principal adverse impacts on sustainability factors?**

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.

### **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.

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### **C. Environmental or social characteristics promoted by this financial product**

#### **What are the environmental or social characteristics promoted by this financial product?**

The environmental and/or social characteristics ("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 material 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*** whereby the Fund will not invest in companies that have significant exposure to fossil fuels unless they have a credible transition strategy.

The Fund uses a benchmark that is not aligned with the Fund's E/S characteristics. This Fund does not have a specific index designated as a reference benchmark to determine whether this financial Fund is aligned with the environmental or social characteristics that it promotes.

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### **D. The Investment Strategy**

#### **What investment strategy does this financial product follow and how is the strategy implemented in the investment process on a continuous basis?**

The Fund is managed according to the Stars investment strategy which includes a commitment to apply the NAM proprietary ESG framework 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 as 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.

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.

**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 this financial product?**

- Direct investments must meet the minimum threshold for ESG score.
- Minimum 50% of the Fund is invested in sustainable investments as defined by NAM's proprietary methodology that identifies sustainable investments.
- Sector- or value-based exclusions prevent investments into activities that are deemed to be inappropriate for the strategy. More information 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 Fundion, distribution and services. This means that the Fund will not invest in companies with material involvement in fossil fuel Fundion, 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 binding elements are documented and monitored on an ongoing basis. Separately, NAM has risk management processes in place 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.

In addition to the exclusions of the Investment Manager, the Manager's exclusion list which is based on the Manager's exclusion policy and compiled by the Manager will apply. Exclusion categories considered in the exclusion policy are United Nations Global Compact Principles, Controversial Weapons, Tobacco, Climate Change and Forced Labour. See the Manager's website for more detail on the application of the exclusion policy.

**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.

**Is there a commitment to reduce by a minimum rate the scope of investments considered prior to the application of the strategy? (Including an indication of the rate)**

Not applicable.

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

Yes

No

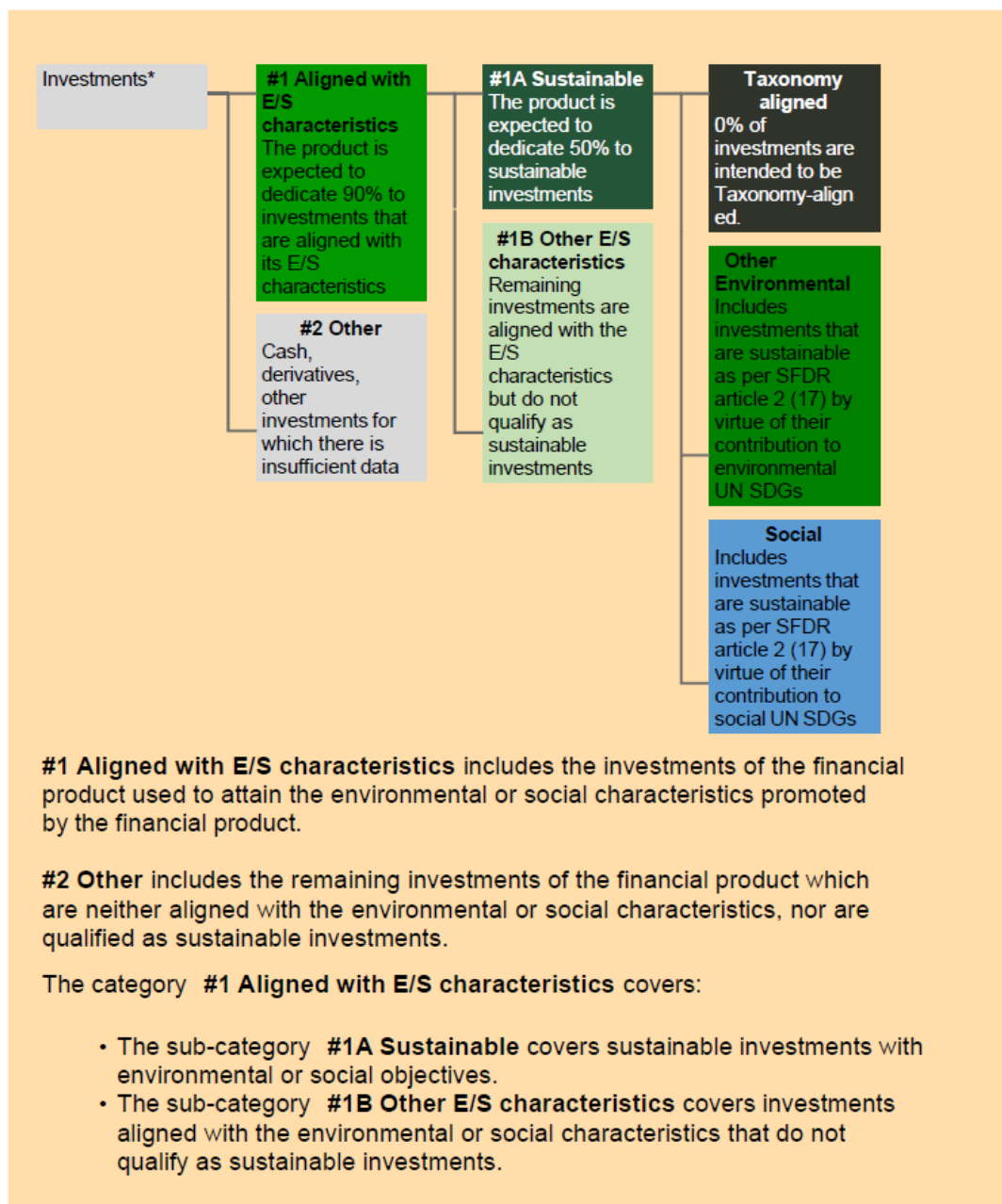
Yes, NAM's proprietary quantitative PAI tool assesses the impact of NAM's investment universe (direct investments mainly) across multiple PAI indicators. Investment teams have access to both absolute PAIs metrics and normalised scale values, allowing them to identify outliers and adjust their view of investee companies and issuers accordingly. 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 periodic reporting pursuant to SFDR Article 11(2).

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## **E. Proportion of Investments**

**What is the planned asset allocation for this financial product?**



***\*Investments** means the products NAV which is the total market value of the product.*

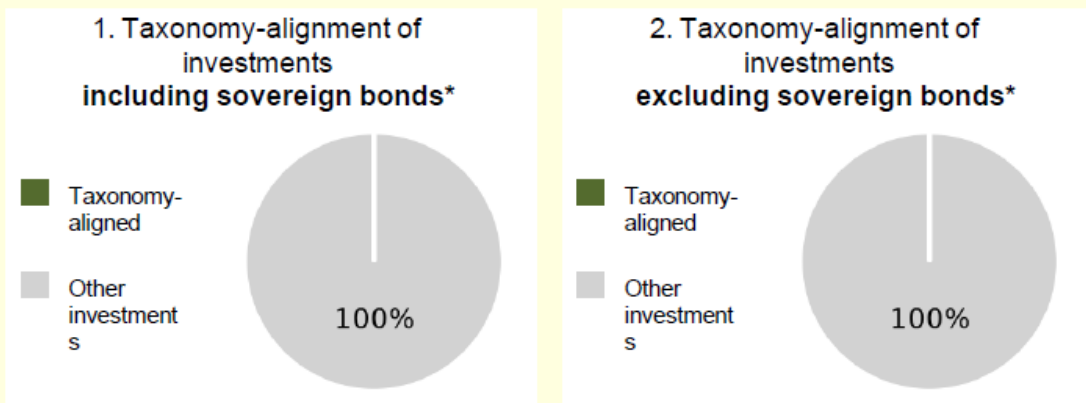
The product is expected to dedicate 90% to investments that are aligned with its E/S characteristics. The product is expected to dedicate 50% to sustainable investments. Remaining investments are aligned with the E/S characteristics but do not qualify as sustainable investments. 0% of investments are intended to be Taxonomy-aligned. 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.

**How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable.

**What is the minimum share of investments with an environmental objective aligned with the EU Taxonomy? (including what methodology is used for the calculation of the alignment with the EU Taxonomy and why; and what the minimum share of transitional and enabling activities)**

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.



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

**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. Company data of EU Taxonomy-alignment is not yet widely available from public disclosures by investee companies. The minimum proportion of such investments is 0%.

**What is the minimum share of socially sustainable investments?**

The Fund contains investments with both an environmental and a social objective. There is no prioritisation 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 investment guidelines. This category may also include securities for which relevant data is not available.

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#### **F. Monitoring of environmental or social 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 the following indicators:

- Carbon Footprint
- Violations of United Nations Global Compact

**How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?**

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 NAM decide to limit exposure to certain sectors or activities, NAM build those into NAM’s internal limit monitoring system that runs both pre and daily post-trade screenings for their holdings. Pre-trade limits block the unfit investment opportunities from NAM’S portfolio management tool, and post-trade limits flag any exposure or activity that is not aligned with NAM’s 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.

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#### **G. Methodologies**

**What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?**

The methodologies that apply to measure how environmental and social characteristics promoted by the Fund are met, 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.

NAM 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, NAM 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.

### **ESG scoring**

A numerical ESG risk score model built upon different quantitative ESG risk metrics is used to set an ESG score of potential investee companies. In addition to third party data, a manual qualitative analysis may supplement the determination of the ESG score. The scoring scale consists of A, B and C, accompanied by a trend indicator, and with A being the highest ESG score. Numerical risk scores may be provided by external data vendors or they may be the result of NAM's internal proprietary analysis.

### **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 NAM's 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 NAM's limit system. However, investments may be allowed in companies that help accelerate the transition to clean energy and phase out of fossil fuel. The NAM PAFF policy can be found [here](#).

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## **H. Data Sourcing and processing**

**What are the data sources used to attain each of the environmental or social characteristics including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?**

### Data Sources

NAM use a range of different internal and external data sources and data providers to ensure that the Fund is invested in accordance with the environmental and/or social characteristics promoted. Data received from external providers may be complemented by internal research and analysis provided by NAM's Investment Teams and the Responsible Investment Team.

### Measures taken to ensure data quality

NAM 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 NAM's 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 NAM's 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 NAM use as input in NAM's investment processes.

The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes.

#### How data is processed

As described above, the data used partly derives from external data providers that provide raw data on issuer level. NAM 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 NAM can potentially invest into as well as current investee companies.

#### Proportion of data that is estimated

Although NAM prioritise reported data over estimated data, NAM do rely to some extent on estimations and on estimated data provided by NAM's external data providers where reported data is not available or of adequate quality.

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### **I. Limitations to methodologies and data**

#### **What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the environmental or social characteristics and the actions taken to address such limitations)**

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.

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

NAM 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. NAM 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.

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### **J. Due Diligence**

#### **What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?**

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, NAM 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, NAM 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 NAM's clients with necessary reports on the products' ESG profiles.

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## **K. Engagement Policies**

**Is engagement part of the environmental or social investment strategy?**

Yes

**If so, what are the engagement policies? (Including any management procedures applicable to sustainability-related controversies in investee companies)**

On behalf of their clients, NAM undertake 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. Please refer to NAM's Engagement Policy for additional detail. Engagement Policy for NIFSA can be found [here](#) and Engagement Policy for NIM can be found [here](#).

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## **L. Reference Benchmark**

**Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?**

Yes

No

**How is that index designated as a reference benchmark 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)**

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

**How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

This question is not applicable.

**How does the designated index differ from a relevant broad market index?**

This question is not applicable.

**Where can the methodology used for the calculation of the designated index be found?**

This question is not applicable.