

Sustainability-related disclosures

Nordea Alternative Strategies Fund
Prime Loan STARS Fund

Nordea
ASSET MANAGEMENT

1 January 2023

Transparency of the promotion of environmental or social characteristics and of sustainable investments

This document includes information relating to environmental and social characteristics of financial products and information relating to sustainable investments, in accordance with article 10 of the Sustainable Finance Disclosure Regulation (SFDR)¹.

Product name: Nordea Alternative Strategies Fund – Prime Loan Stars

Legal entity identifier: N/A

Summary

The financial product promotes certain environmental and/or social characteristics.

Specific sustainability indicators will be used to measure the attainment of the environmental and/or social characteristics of the financial product in accordance with specific methodologies described below.

The financial product's Investment Manager is Nordea Investment Management AB.

Due diligence on underlying investments is used to ensure that the financial product is invested in accordance with the environmental and/or social characteristics promoted.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

No sustainable investment objective

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 _____ → _____ % 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[¶]

This financial product promotes environmental or social (“E/S”) characteristics, but does not have sustainable investment as its objective. The financial product will not have a commitment to a minimum proportion of sustainable investments, as illustrated above.

Environmental or social characteristics of the financial product

The E/S characteristics of this financial product include:

ESG due diligence and proprietary scoring: The Investment Manager integrates environmental and social considerations and ensures good governance as part of the due diligence process of each investment. Ultimately, the due diligence leads to a proprietary ESG-scoring, where a minimum ESG-level is required to be eligible for investment. The scoring creates transparency and comparability over time.

NAM’s Paris-Aligned Fossil Fuel policy: Thresholds for companies’ exposure to fossil fuel production, distribution and services are governed by the financial product’s adherence to NAM’s Paris-Aligned Fossil Fuel Policy which limits investments in companies and issuers that have exposure to fossil fuels unless they have a credible transition strategy.

Investment strategy

Description of the investment strategy used to meet the environmental or social characteristics of the financial product

The financial product invests in high grade loans with collateral in real assets such as properties and infrastructure assets, and the Investment Manager will seek to construct a diversified portfolio across underlying sectors and borrowers. Sourcing of such investments may be of both primary and secondary nature and shall be of senior ranking at the time of acquisition.

Geographic emphasis of the investments will primarily be in jurisdictions within Northwestern Europe. On an opportunistic basis, other Western European jurisdictions may be considered.

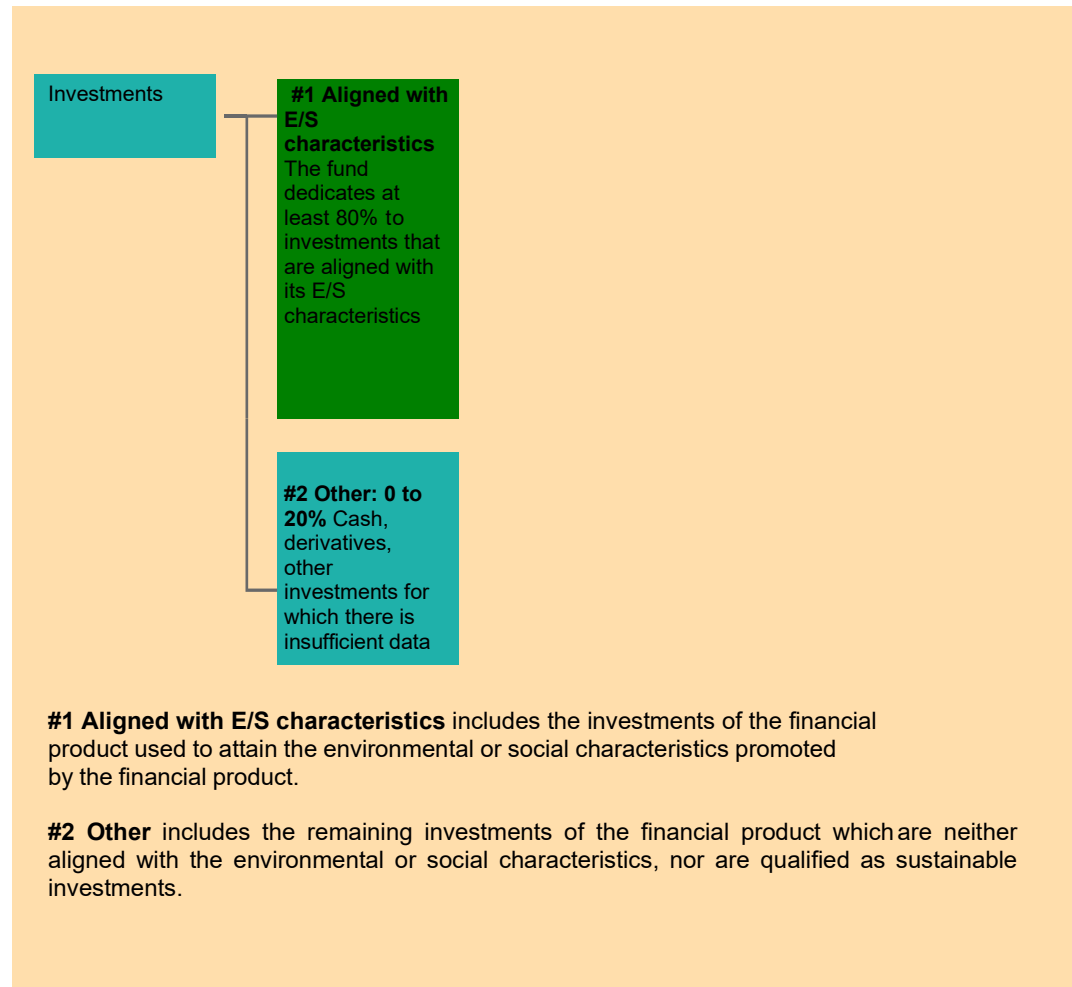
ESG is integrated into the strategy through a proprietary ESG-scoring of each investment, and where a minimum ESG-level is required to be eligible for investment.

Description of the policy to assess good governance practices of the investee companies

Assessment of good governance practices of investments is addressed in various layers of the due diligence process. At the investment level, the adherence to good governance principles are assessed in the due diligence of the policies related to employee relations, staff remuneration, management structures and tax compliance.

Proportion of investments

Illustrated below is the planned asset allocation for the investments of the financial product:



*Investments means the financial product's NAV.

Due to the nature of the investments, the cash position might increase to above 20% in shorter periods of time, if multiple loans were to repay within a short time period.

Monitoring of environmental or social characteristics

Description of 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.

To measure the attainment of the environmental or social characteristics, the Investment Manager will measure the:

- Percent of investments where borrower has an ESG policy
- Percent of commercial real estate investments with assets in the collateral pool which are certified through a recognized ESG framework
- Percent of investments with ESG considerations in the loan documentation or business plan

The binding commitments around the exclusion criteria discussed above will be monitored by the Investment Manager.

Methodologies

Description of the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.

The methodologies that apply to measure how environmental and social characteristics promoted by the financial product are met, are set out here below.

- **ESG scoring:** The financial product's investments have been analysed and assigned an ESG score of A, B or C. Investments must have an ESG score in the B or A range to be eligible for inclusion.

- **NAM Paris Aligned Fossil Fuel Policy**

NAM's Paris-Aligned Fossil Fuel Policy ("**PAFF**"), has been developed with the Paris agreement² in mind. The Policy sets thresholds for companies' exposure to fossil fuel production, distribution and services, which are implemented and monitored as specific exclusions by the Investment Manager. The NAM PAFF policy can be found [here](#).

Data sources and processing

(a) What are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?

The Investment Manager uses a range of different internal and external data sources, including data provided by external parties such as borrowers, loan agents and third-party property appraisers, to ensure that the financial product is invested in accordance with the environmental and/or social characteristics promoted.

Due to the investment universe of the financial product, data sources used are limited for some investments and are subject to confidentiality, but direct access to the borrower is utilized in the ESG scoring and financial assessment where relevant.

(b) What are the measures taken to ensure data quality?

Given the broad range of investments and the fact that data is of confidential nature and received from external parties such as borrowers, loan agents and third-party property appraisers, the evaluation of the reported data is done as part of the due diligence process on the underlying investments and borrowers. Where relevant, the Investment Manager would seek to verify data with the external counterparty if possible.

c) How are data processed?

As described above, the data used by the Investment Management is primarily derived from external parties, and supplemented with internal data where needed via proprietary research. The Investment Manager seeks to obtain

² 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.

as much and the most granular company data possible which may be enriched by internal analysis. Ultimately, the data is stored in internal databases.

(d) What proportion of data is estimated?

Although the Investment Manager prioritizes reported data over estimated data, the Investment Managers does rely to some extent on estimations and on estimated data provided by external data providers where reported data is not available or of adequate quality.

Limitations to methodologies and data

(a) Are there any limitations to the methodologies and data sources used?

The fact that some proportion of the data received from external counterparties may be estimated data, may be seen as a limitation to the methodologies and data source.

Information is mainly based on historical data and may not reflect the future ESG development or risks of the investments.

(b) How do those limitations not affect how the environmental or social characteristics promoted by the financial product are met?

The fact that each investment is assessed individually by the Investment Manager, mitigates the data limitations.

Due diligence

Description of the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

The Investment Manager conducts its financial and ESG due diligence based on proprietary data obtained from the originator, borrower and relevant third party appraisers. This results in an initial due diligence report, which may warrant direct follow-up with the borrower to clarify any information gaps or outstanding questions and will ultimately lead to an ESG-score and financial assessment of the investment case.

The final due diligence report includes both the financial analysis and the conducted ESG due diligence, including the internal ESG-score of the borrower and originator for each investment, where the poorly scored cases are deemed non-investable. The evaluation and scoring process creates transparency and comparability over time.

Engagement policies

Description of 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.

Engagement is not part of the investment strategy of the financial product.

Designated reference benchmark

Description of whether an index has been designated as a reference benchmark to meet the environmental or social characteristics of the financial product and how such index would be aligned with the environmental or social characteristics of the financial product.

The financial product does not use a reference benchmark.