

## NOTICE OF MERGER TO SHAREHOLDERS OF

### Nordea 2 – US Corporate ESG Bond Fund

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We would like to inform you that the board of directors of Nordea 2, SICAV and Nordea 1, SICAV (the “**Boards of Directors**”) have decided to merge Nordea 2 – US Corporate ESG Bond Fund (the “**Merging Fund**”) with Nordea 1 – US Corporate Stars Bond Fund (the “**Receiving Fund**”) (the “**Merger**”).

The Merging Fund together with the Receiving Fund are hereinafter to be referred to as the “**Funds**.”

The Merger shall become effective on the 10<sup>th</sup> of November 2021 (the “**Effective Date**”).

On the Effective Date, all assets and liabilities of the Merging Fund will be transferred to the Receiving Fund. The Merging Fund will cease to exist as a result of the Merger and will thereby be dissolved on the Effective Date without going into liquidation.

Shareholders who agree with the changes proposed in this notice do not need to take any action.

Shareholders who do not agree with the Merger have the right to request the redemption or switch of their shares free of charge, following the redemption and switch processes detailed in the prospectus, from the date of this notice until 15:30 on the 29<sup>th</sup> of October 2021, as further described below in section 5.

This notice describes the implications of the Merger and must be read carefully. **The Merger may impact your tax situation. Shareholders in the Funds are advised to consult their professional advisors as to the legal, financial and tax implications of the Merger under the laws of the countries of their nationality, residence, domicile or incorporation.**

## 1. Reasons for the Merger

- 1.1. The Merging Fund is currently applying additional negative screening to exclude specific sectors or companies based on environmental, social and corporate governance (ESG) criteria.
- 1.2. The Merger would further strengthen this profile by allowing the shareholders of the Merging Fund to be exposed to an investment strategy that follows the Stars Investment Policy of Nordea Asset Management when managing the investments.
- 1.3. By combining financial performance with the Stars investment strategy the Merger strives to offer shareholders responsible solutions with a medium level of risk and volatility.
- 1.4. The Merger is expected to lead to greater commercial attractiveness as the Merger should provide the benefits associated with the Stars Investment strategy and create more investment opportunities for existing and prospective shareholders.

## 2. Expected impact of the Merger on shareholders in the Merging Fund

- 2.1. Through the Merger, all assets and liabilities of the Merging Fund will be transferred to the Receiving Fund as of the Effective Date, and the Merging Fund will cease to exist without going into liquidation.
- 2.2. The Merger will be binding on all shareholders who have not exercised their right to request the redemption or switch of shares under the conditions and within the timeframe set out below. On the Effective Date, shareholders of the Merging Fund who have not exercised their right to redeem or switch shares will become shareholders in the Receiving Fund and thereby receive shares in the corresponding share class in the Receiving Fund with the ongoing charges and the risk and reward indicators ("SRRIs") as provided below.

Merging Fund				Receiving Fund *			
Share Class	ISIN	Ongoing charges	SRRI	Share Class	ISIN	Ongoing charges	SRRI
BC - DKK	LU1933825843	0.75	4	BC - DKK	LU1933825843	0.76	4
BC - EUR	LU1933825769	0.75	4	BC - EUR	LU1933825769	0.76	4
BC - USD	LU1933825686	0.75	4	BC - USD	LU1933825686	0.76	4
BI - EUR	LU1933824440	0.55	4	BI - EUR	LU1933824440	0.55	4
BI - USD	LU1933824366	0.55	4	BI - USD	LU1933824366	0.55	4
BP - EUR	LU1933824101	1	4	BP - EUR	LU1933824101	1.01	4
BP - USD	LU1933824283	1	4	BP - USD	LU1933824283	1.01	4
HAF - SEK	LU2232157425	0.6	4	HAF - SEK	LU2232157425	0.59	4
HB - EUR	LU1933825330	1.01	4	HB - EUR	LU1933825330	1.01	4
HB - NOK	LU1933825504	0.98	4	HB - NOK	LU1933825504	1.01	4
HB - SEK	LU1933825413	0.99	4	HB - SEK	LU1933825413	1.01	4
HBF - EUR	LU2194942384	0.6	4	HBF - EUR	LU2194942384	0.59	4
HBF - NOK	LU2232157342	0.6	4	HBF - NOK	LU2232157342	0.59	4
HBF - SEK	LU2194942467	0.6	4	HBF - SEK	LU2194942467	0.59	4
HBI - EUR	LU1933825090	0.57	4	HBI - EUR	LU1933825090	0.55	4
HBI - NOK	LU1933825256	0.55	4	HBI - NOK	LU1933825256	0.55	4
HX - NOK	LU2306575056	0.05	4	HX - NOK	LU2306575056	0.05	4
HY - EUR	LU1954565856	0.06	4	HY - EUR	LU1954565856	0.05	4
X - EUR	LU1934784098	0.05	4	X - EUR	LU1934784098	0.05	4
X - USD	LU1934784254	0.05	4	X - USD	LU1934784254	0.05	4

\*The ongoing charges of the Receiving Fund are estimates. Some share classes may see their ongoing charges raise slightly as shown above.

- 2.3. The Funds are mainly similar in terms of having the same investment objective and have a synthetic risk and reward indicator (“SRRI”) of 4. Both Funds invest in US corporate bonds and invest at least two thirds of total assets in debt securities that are issued by companies that are domiciled, or conduct the majority of their business, in the United States of America.
- 2.4. The procedures that apply to matters such as dealing, subscription, redemption, switching and transferring of shares and the method for calculating the net asset value, are the same in the Merging Fund and the Receiving Fund.
- 2.5. Both Funds are managed by MacKay Shields LLC and USD is the base currency.
- 2.6. Both Funds apply baseline ESG safeguard and are promoting ESG characteristics as per Article 8 of the SFDR.
- 2.7. The key similarities and differences between the Merging Fund and the Receiving Fund are further set out in Appendix I to this notice.

### **3. Expected impact of the Merger on the shareholders in the Receiving Fund**

The Merging Fund will be merged into the shell Receiving Fund to be launched for the purposes of the Merger. There are thus no shareholder in the Receiving Fund that could be impacted by the Merger.

### **4. Expected portfolio impact**

Most of the assets that will be transferred from the Merging Fund to the Receiving Fund are already compliant with the investment policy of the Receiving Fund, minor adjustments of the portfolio holdings can however occur. Any risk of performance dilution of the Merging Fund is expected to be limited.

### **5. Suspension in dealings**

- 5.1. Shares of the Merging Fund can be subscribed, redeemed and switched to shares of the same or another share class of another fund of the Nordea 2, SICAV, not involved in the Merger until 15:30 CET on the 29th of October 2021. At or after 15:30 CET on the 29th of October 2021 the possibility to subscribe, redeem and switch shares in the Merging Fund will be suspended until the Effective Date.
- 5.2. The right to redeem and switch shares free of charge may be subject to transaction fees charged by local intermediaries, which are independent from Nordea 2, SICAV and the Management Company.

### **6. Valuation and exchange ratio**

- 6.1. On the business day prior to the Effective Date, the management company (the “Management Company”) will calculate the net asset value per share class of the Merging Fund which will be used as launch price for the Receiving Fund.
- 6.2. The rules laid down for the calculation of the net asset value in the articles of incorporation and the prospectus of the Merging Fund under “Asset valuation” and “how we calculate NAV” will apply to determine the value of the assets and liabilities of the Merging Fund and the NAV per share class of the Merging Fund.

- 6.3. The exchange ratio of one share of the Merging Fund for one share of the Receiving Fund will be used to calculate the number of new shares in the Receiving Fund to be issued to each shareholder.
- 6.4. The relevant shares in the Merging Fund will then be cancelled.
- 6.5. Any accrued income in the Merging Fund will be included in the final net asset value of the Merging Fund and accounted for in the net asset value of the relevant share classes of the Receiving Fund after the Effective Date.
- 6.6. The issue of new shares in the Receiving Fund in exchange for shares of the Merging Fund will not be subject to any charge.
- 6.7. No cash payment shall be made to shareholders in exchange for the shares.

## **7. Additional documents available**

- 7.1. Shareholders of the Merging Fund are invited to carefully read the relevant KIIDs of the Receiving Fund and the relevant prospectus before making any decision in relation to the Merger. The prospectus and the KIIDs (once available) can be found free of charge at [nordea.lu](http://nordea.lu) and at the registered office of Nordea 2, SICAV upon request.
- 7.2. A copy of the report of the auditor, validating the criteria adopted for valuation of the assets and, as the case may be, the liabilities and the calculation method of the exchange ratio as well as the exchange ratio, is available free of charge upon request at the registered office of Nordea 2, SICAV.

## **8. Costs of the Merger**

The Management Company will bear the legal, advisory and administrative costs and expenses associated with the preparation and completion of the Merger.

## **9. Tax**

The shareholders of the Merging Fund are invited to consult their own tax advisors with respect to the tax impact of the contemplated Merger.

## **10. Additional information**

Professional and institutional shareholders having any question relating to the Merger should not hesitate to contact their usual professional advisor or intermediary or their local client services office via [nordea.lu](http://nordea.lu) or at [nordefunds@nordea.com](mailto:nordefunds@nordea.com). Retail investors having any question relating to the Merger should contact their usual financial advisor.

Yours faithfully  
On behalf of the Board of Directors  
29 September 2021

## Appendix I

### Key features of the Merging Fund and of the Receiving Fund

The Merging Fund	The Receiving Fund
<p><b>Objective</b> The Merging Fund's objective is to provide shareholders with investment growth in the medium to long term.</p>	<p><b>Objective</b> The Receiving Fund's objective is to provide shareholders with investment growth in the medium to long term.</p>
<p><b>Investment policy</b> The Merging Fund mainly invests in US corporate bonds. Specifically, the Merging Fund invests at least two thirds of total assets in debt securities that are issued by companies that are domiciled, or conduct the majority of their business, in the United States of America. The Merging Fund also invests at least two thirds of total assets in debt securities with a long-term rating of AAA/Aaa or lower, but not lower than BBB-/Baa3, or equivalent. The Merging Fund may invest in, or be exposed to, the following instruments up to the percentage of total assets indicated: • asset-backed securities (ABSs): 20% The Merging Fund may be exposed (through investments or cash) to other currencies than the base currency.</p>	<p><b>Investment policy</b> The Receiving Fund mainly invests in US corporate bonds. Specifically, the receiving Fund invests at least two thirds of total assets in debt securities that are issued by companies that are domiciled, or conduct the majority of their business, in the United States of America. The Receiving Fund also invests at least two thirds of total assets in debt securities with a long-term rating of AAA/Aaa or lower, but not lower than BBB-/Baa3, or equivalent. The Receiving Fund may invest in, or be exposed to, the following instruments up to the percentage of total assets indicated: • asset-backed securities (ABSs): 20% The receiving Fund may be exposed (through investments or cash) to other currencies than the base currency</p>
<p><b>Benchmark</b> Bloomberg Barclays US Credit Index. For performance comparison only. Risk characteristics of the Merging Fund's portfolio may bear some resemblances to those of the benchmark.</p>	<p><b>Benchmark</b> Bloomberg Barclays US Credit Index. For performance comparison only. Risk characteristics of the Merging Fund's portfolio may bear some resemblances to those of the benchmark.</p>
<p><b>Derivatives and techniques</b> The Merging Fund may use derivatives and other techniques for hedging (reducing risks), efficient portfolio management and to seek investment gains.</p>	<p><b>Derivatives and techniques</b> The fund may use derivatives and other techniques for hedging (reducing risks), efficient portfolio management and to seek investment gains.</p>
<p><b>Suitability</b> The Merging Fund is suitable for all types of investors through all distribution channels.</p> <p><b>Investor profile</b> Investors who understand the risks of the Merging Fund and plan to invest for at least 3 years. The Merging Fund may appeal to investors who:</p> <ul style="list-style-type: none"> <li>• are looking for Income and investment growth with a responsible investment approach</li> <li>• are interested in exposure to developed bond markets</li> </ul>	<p><b>Suitability</b> The fund is suitable for all types of investors through all distribution channels.</p> <p><b>Investor profile</b> Investors who understand the risks of the fund and plan to invest for at least 3 years. The Receiving Fund may appeal to investors who:</p> <ul style="list-style-type: none"> <li>• are looking for Income and investment growth with a responsible investment approach</li> <li>• are interested in exposure to developed bond markets.</li> </ul>

<p><b>Risk considerations</b></p> <ul style="list-style-type: none"> <li>• <b>ABS/MBS</b></li> <li>• <b>Credit</b></li> <li>• <b>Currency</b></li> <li>• <b>Derivatives</b></li> <li>• <b>Interest rate</b></li> <li>• <b>Leverage</b></li> <li>• <b>Prepayment and extension</b></li> </ul> <p><b>SRRI:</b> Please see section 3.1. above.</p>	<p><b>Risk considerations</b></p> <ul style="list-style-type: none"> <li>• <b>ABS/MBS</b></li> <li>• <b>Credit</b></li> <li>• <b>Derivatives</b></li> <li>• <b>Hedging</b></li> <li>• <b>Interest rate</b></li> <li>• <b>Prepayment and extension</b></li> </ul> <p><b>SRRI:</b> Please see section 3.1. above.</p>
<p><b>Global exposure calculation:</b> Commitment.</p>	<p><b>Global exposure calculation:</b> Commitment</p>
<p><b>Investment manager:</b> Nordea Investment Management AB.</p>	<p><b>Investment manager:</b> Nordea Investment Management AB.</p>
<p><b>Sub-investment manager:</b> Mackay Shields LLC.</p>	<p><b>Sub-investment manager:</b> : Mackay Shields LLC.</p>
<p><b>SFDR classification:</b> The Merging Fund applies baseline ESG safeguard (See Baseline ESG safeguards applicable to all funds within the Responsible Investment Policy and is promoting ESG characteristics as per Article 8 of the SFDR. <a href="#">ESG characteristics</a> The Merging Fund invests in securities issued by entities whose ESG profiles have been scored by an external data provider and reviewed by the Investment Team to ensure that only securities issued by entities that meet the minimum required ESG score are eligible for inclusion. The Merging Fund adheres to NAM's Paris-Aligned Fossil Fuel Policy. Enhanced 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 damaging for the environment and/or the society at large, including tobacco companies and fossil fuel companies. <a href="#">Policy to assess good governance</a> Corporate governance is assessed as part of the financial analysis. The assessment includes policies on environmental and social issues, separation of roles, objectives of management committees as well as the issuers engagement with all its stakeholders. <a href="#">ESG strategy</a> The investment strategy applies an initial proprietary screening process based on third party data to exclude companies which do not meet the eligibility criteria defined by the process.</p>	<p><b>SFDR classification:</b> The Receiving Fund applies baseline ESG safeguard (See Baseline ESG safeguards applicable to all funds within the Responsible Investment Policy) and is promoting ESG characteristics as per Article 8 of the SFDR. <a href="#">ESG characteristics</a> The Receiving Fund invests in companies that have been analysed and scored in NAM proprietary ESG model to ensure that only securities issued by companies that meet the minimum required ESG score for the fund are eligible for inclusion. The Receiving Fund adheres to NAM's Paris-Aligned Fossil Fuel Policy. Enhanced 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 damaging for the environment and/or the society at large, including tobacco companies and fossil fuel companies. <a href="#">Policy to assess good governance</a> An evaluation of the quality of governance is an integral part of the assessment of potential investments. The governance assessment is part of NAM's proprietary ESG scoring model, and it is performed on a global best practice standard that considers accountability, protection of shareholders/ bondholder rights and long-term sustainable value creation. <a href="#">ESG strategy</a> The Receiving Fund invests according to the Stars investment strategy which includes a commitment to</p>

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Issuers that score high on ESG risk are excluded from the investment universe.

NAM's Paris-Aligned Fossil Fuel Policy sets thresholds for companies' exposure to fossil fuel production, distribution and services and excludes companies that are involved beyond these thresholds if they do not have a documented transition strategy that aligns with the Paris agreement.

The inherent limitations on the investment universe resulting from the investment strategy are monitored and controlled on a regular basis.

#### [NAM's 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 which 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.

The detailed Responsible Investment Policy and the Corporate Exclusion List are available at [nordea.lu](http://nordea.lu).

#### [Implementation of the ESG strategy](#)

At least 95% of the direct investments of the Merging Fund must have an ESG score. Issuers that are not assigned an ESG score at the time of issuance, are allowed based on a preliminary internal assessment of the ESG profile until a formal score is assigned.

The Paris-aligned fossil fuel screening and other exclusions filters apply to all direct investments of the fund.

The Merging Fund may use derivatives and other techniques for the purposes described in the 'Derivatives and techniques' section. Any such holdings are not in scope of the ESG criteria.

#### [Sustainability risk integration](#)

Sustainability risks are included in the investment decision process together with traditional financial factors, such as risk and valuation metrics, when building and monitoring portfolios.

Exclusions of certain sectors and/or financial instruments from the investable universe are expected to reduce the sustainability risk of the fund. Conversely, such exclusions may increase the concentration risk of the fund which could – seen in isolation – result in higher volatility and a greater risk of loss.

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 relevant to the company and considers how companies manage their ESG risks.

Depending on the outcome of the analysis, the company will be assigned an ESG score from C to A. NAM applies a minimum ESG score requirement for inclusion in Stars funds. Stars eligible investments must have an ESG score of B or A or equivalent score if using an external provider.

ESG scores are reassessed regularly. Any breach of international norms or severe company specific events will trigger an ad hoc reassessment of the ESG score. NAM's Paris-Aligned Fossil Fuel Policy sets thresholds for companies' exposure to fossil fuel production, distribution and services and excludes companies that are involved beyond these thresholds if they do not have a documented transition strategy that aligns with the Paris agreement.

The inherent limitations on the investment universe resulting from the investment strategy are monitored and controlled on a regular basis.

#### [NAM's 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 which 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.

The detailed Responsible Investment Policy and the Corporate Exclusion List are accessible via [nordea.lu](http://nordea.lu).

#### [Implementation of the ESG strategy](#)

Direct investments must meet the ESG score requirements for a Stars fund.

The Paris aligned fossil fuel screening and other exclusions filters apply to all direct investments of the fund.

The fund may use derivatives and other techniques for the purposes described in the 'Derivatives and techniques' section. Any such holdings are not in scope of the nonfinancial criteria.

Potential investments for which there is not sufficient data available to conduct the ESG analysis are not eligible for inclusion in the fund's investment universe. NAM conducts a thorough due diligence on external data vendors to clarify applied methodologies and verify data



See Sustainability Risk Integration applicable to all funds.

[More fund specific information](#)

Please refer to [nordea.lu](http://nordea.lu) for more fund-specific information.

[Reference benchmark and alignment with the sustainability profile of the fund](#)

The Merging Fund uses a benchmark which is not aligned with the ESG characteristics of the fund.

Please refer to the 'Investment Objective and Policy' section for further information.

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.

[Sustainability risk integration](#)

In addition to the process for Sustainability Risk Integration applicable to all funds an enhanced analysis on ESG issues is performed on each financial instrument in the portfolio, and included in the investment decision process together with traditional financial factors, such as risk and valuation metrics, when building and monitoring portfolios.

Exclusions of certain sectors and/or financial instruments from the investable universe are expected to reduce the sustainability risk of the fund. In addition, the sustainability risk profile of the fund benefits further from the application of specific, proprietary ESG analysis.

Conversely, such exclusions may increase the concentration risk of the fund which could – seen in isolation – result in higher volatility and a greater risk of loss.

[More fund specific information](#)

Please refer to [nordea.lu](http://nordea.lu) for more fund-specific information.

[Reference benchmark and alignment with the sustainability profile of the fund](#)

The Receiving Fund uses a benchmark which is not aligned with the environmental and social characteristics of the fund. Please refer to the 'Investment Objective and Policy' section for further information.

**Base currency:** USD

**Base currency:** USD

**Fees charged to the Merging Fund**

The Merging Fund shall bear the following fees:

**Management fee (maximum)**

The Management fee payable by the Merging Fund out of its assets to the Management Company is up to :

- up to 0.35% for I share classes,
- up to 0.70% for P,E,Q
- up to 0.45% for C,F
- on application for D,Z and R share classes and
- Nil for X and Y share classes.

**Operational expenses (maximum)**

- 0.40% for I, X and Y, P; E Q, C,F share classes.

**Fees charged to the Receiving Fund**

The Receiving Fund shall bear the following fees:

**Management fee (maximum)**

The Management fee payable by the Receiving Fund out of its assets to the Management Company is:

- 0.35% for I and V shares.
- 0.70% for P,E,Q
- 0.45% for C,F
- 0.35% for N shares.

**Operational expenses (maximum)**

- 0.40% for P, Q, E, C, S, F and N share classes.

- On application for D and Z share classes
- N/A for R share classes

**Performance fee**

None.

**Distribution fee**

0.75% for E share classes

**Entry and exit charges**

Subscription fee:

- 3.00% for C, P, Q,
- None for S, D, E, F, I, X, Y, Z; R

Exit charge: None.

**Ongoing charges:** Please see section 3.1. above.

- 0.25% for D, I and V share classes.
- 0.20% for X and Z share classes.
- 0.10% for Y share classes.

**Performance fee**

None.

**Distribution fee**

0.75 for E share classes

**Entry and exit charges**

Subscription fee:

- 3.00% for C, N, P, Q, S.
- None for D, E, F, I, V, X, Y, Z

Exit charge: None.

**Ongoing charges:** Please see section 3.1. above.