

LIITE III

Template pre-contractual disclosure for the financial products referred to in Article 9 paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, 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.

Product name: OP-Clean Water

Legal entity identifier: FI4000048442

Sustainable investment objective

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

| Does this financial product have a sustainable investment objective?  |   |
|---|---|
| <input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> Yes   | <input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> No  |
| <input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 75 % <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> | <input type="checkbox"/> 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 <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 type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> |
| <input checked="" type="checkbox"/> It will make a minimum of sustainable investments with a social objective: 25 %   | <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments   |



What is the sustainable investment objective of this financial product?

OP-Clean Water invests in companies whose business can secure the supply of clean water in the future. The volume of potable water reduces continuously as a consequence of pollution,

groundwater depletion and climate change. At the same time, population growth and rising living standards increase water consumption everywhere. According to the UN and World Bank estimates, 2.5 billion people live in areas suffering from shortage of water, and by 2050 up to half of the world's population will suffer from water shortage. Clean water is required, in addition to households, in many industries, such as food production and the pharmaceutical industry. Solutions to water issues lie in innovations related to consumption, distribution, purification and production.

OP-Clean Water invests in water industry companies whose business is significantly related to securing the sufficiency of water also in the future. This especially means companies focused on supplying water management infrastructure or developing water technology, as well as conglomerates that are market leaders in some water industry sub-sector.

The Fund aims to make only sustainable investments. Those investment options whose business promotes one or more UN Sustainable Development Goals (SDG) without harming other sustainability factors or goals are considered sustainable investments. Sustainable investments are determined using OP Asset Management's analysis model which is based on an external service provider's SDG and sustainability data.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

### ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

All investments of the Fund must have business operations that are considered to promote environmental goals. The Fund uses the share of services and products providing environmental solutions of the company's total revenue as its sustainability indicator.

In addition to the corporate sustainability principles of the Fund, the Fund complies with OP Asset Management's principles for sustainable investing.

Exclusion: The Fund excludes from its active direct investments controversial weapon manufacturers, companies producing thermal coal, power companies using thermal coal (if over 20% of the revenue relates to thermal coal), and companies that have breached international standards and where engagement has been unsuccessful. In addition to general exclusion rules, the Fund excludes companies with business in fossil fuels (if the revenue is 50% or more) or tobacco.

Shareholders' meetings: OP funds participate in shareholders' meetings in Finland and abroad in line with OP Fund Management Company Ltd's shareholder engagement principles that take sustainability aspects into account.

Violations of international standards: In active direct investments in OP funds, OP Asset Management exercises influence on companies that are considered to have violated international standards. The Funds are screened regularly for non-compliances with international standards. In the event that a non-compliance is detected, an engagement process is begun with the company in question. The aim is to make non-compliant companies change their practices and begin to comply with international standards in their operations. If engagement proves unsuccessful, the company may be placed on the list of exclusions.

We monitor and report on factors such as the investments' share of green revenue, carbon intensity and ESG risk category.

### ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The OP Asset Management's sustainable investment analysis model is used to ensure that the company we invest in does not have business that is harmful for the environment or society. It is also verified that the company considers material environmental and social factors in its operations at least at satisfactory level. The company we invest in cannot have identified extremely severe environmental or social violations or UN Global Compact violations.

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

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, anti-corruption and anti-

Principal adverse impacts (PAI) on sustainability are regularly analysed by screening all investments for their PAI indicators. If screening reveals target companies with significant principal adverse impacts on sustainability in comparison to its peers and if the said PAI indicator is deemed material for the target company, the target company will be monitored more closely and excluded, if necessary. Also, a process to influence the company's behaviour can be started.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The OP Asset Management's sustainable investment analysis model checks whether a company has violated international standards (UN Global Compact and OECD guidelines for multinationals). If a violation is identified, the company cannot be determined as a sustainable investment.

The Fund does not make active direct investments in companies that have violated international standards and where engagement has been unsuccessful. The investments are screened each quarter for possible violations of international standards. If a standard violation is detected, the preferred option is to influence the company's behaviour. The second option is the discontinuation of the investment.



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



**Yes** Principal adverse impacts (PAI) on sustainability are regularly analysed by screening all investments for their PAI indicators. If screening reveals companies with significant principal adverse impacts on sustainability in comparison to its peers and if the said PAI indicator is deemed material for the company, the company will be monitored more closely and excluded, if necessary. Also a process to influence the company's behaviour can be started. In the future, information on the PAI factors will be highlighted in the Annual Report, as laid down in Article 11(2) of the Disclosure Regulation (SFDR).



**No**



## What investment strategy does this financial product follow?

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

OP-Clean Water is an equity fund which invests its assets in the global equity market. Investments may be made both in developed and emerging equity markets.

OP-Clean Water invests in water industry companies whose business is significantly related to securing the sufficiency of water also in the future. This especially means companies focused on supplying water management infrastructure or developing water technology, as well as conglomerates that are market leaders in some water industry sub-sector.

### *What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?*

All investments of the Fund must have business operations that are considered to promote environmental goals.

The Fund excludes from its active direct investments controversial weapon manufacturers, companies producing thermal coal, power companies using thermal coal (if over 20% of the revenue relates to thermal coal), and companies that have breached international standards and where engagement has been unsuccessful. In addition to general exclusion rules, the Fund excludes companies with business in fossil fuels (if the revenue is 50% or more) or tobacco.

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

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

Analysing the target company's governance is an important part of the investment process. To us, good governance is a key foundation for any company's financial success, regardless of the industry. When assessing governance, some of the areas considered include the appropriateness of the target company's administrative organisation, the target company's actions in relation to its personnel, and the target company's remuneration and taxation practices. In assessing good governance, we use an external service provider's analysis and our own qualitative analysis if no external data is available. We screen the funds regularly to check them against the criteria of good governance. Minimum limits apply for these criteria.

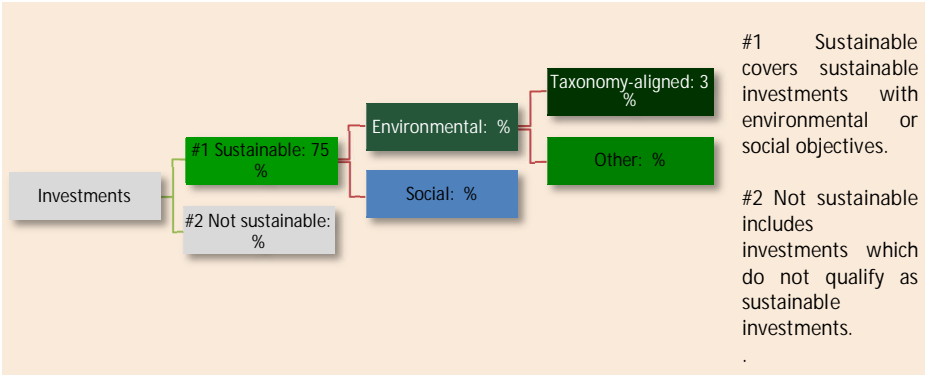


## What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

According to the Fund's rules, three fifths (3/5) of the Fund's total assets must always be invested in real property in Finland or real estate securities related to such real property. All such investments by the Fund promote environmental and social characteristics in the manner described in this Annex, and the minimum proportion of such investments is 60%. "Other" may comprise short-term net assets such as cash investments and derivatives used for interest rate hedging, for example. Derivatives or cash investments cannot be considered to promote environmental or social characteristics. To the extent that the Fund makes sustainable investments, those investments aligned with the EU Taxonomy which have set climate change mitigation as their environmental goals are considered sustainable investments. The Fund has a 20% minimum allocation to sustainable investments.

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 Sustainable covers sustainable investments with environmental or social objectives.
#2 Not sustainable includes investments which do not qualify as sustainable investments.

How does the use of derivatives attain the sustainable investment objective?

The aim of using derivatives is not to promote environmental or social characteristics.

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

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.



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

3%

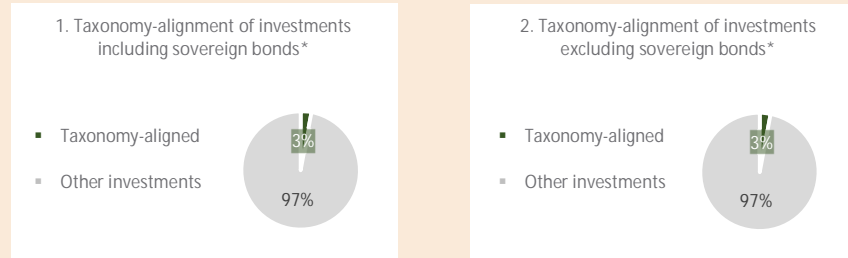
Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

Form with checkboxes for Yes (in fossil gas, in nuclear energy) and No.

Investment targets will only start reporting in compliance with the EU classification system from 2023. The percentages of the funds' investments according to the EU classification system have not yet been calculated, as the reported data has not been available. For this reason, we cannot yet know whether the possible gas or nuclear energy investments of the financial products are in accordance with the EU classification system.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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 investments in transitional and enabling activities?**

The Fund does not commit to a minimum share.

 are environmentally sustainable investments 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 might include investment options which are in line with the EU Taxonomy, but the Fund does not commit to a certain minimum number of investments in line with the EU Taxonomy. Currently, only few investment options in line with the EU Taxonomy are available, and there is a limited amount of reported information on compliance with the EU Taxonomy. The Fund makes sustainable investments that might have an environmental or a social goal. No minimum shares are set for these goals.



**What is the minimum share of sustainable investments with a social objective?**

The Fund makes sustainable investments that might have an environmental or a social goal. No minimum shares are set for these goals.



**What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?**

The Fund's investments are mainly direct equity investments. The Fund may also invest its assets in exchange traded derivatives and OTC derivative contracts in order to hedge against the risk of adverse market movements, to replace direct investments and to otherwise promote effective portfolio management. Sustainability data might not be available for possible derivatives.



**Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

The benchmark index for the Fund is the S&P Global Water USD NTR.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

**How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**

The benchmark index for the Fund is the S&P Global Water NTR Index. It supports the objective of the OP-Clean Water fund to invest in companies that provide solutions to ensure the availability and sufficiency of clean water worldwide. The index consists of 50 liquid companies. The index has a balanced diversification, both globally and within water related businesses, and includes both water utilities and infrastructure companies and companies that provide water equipment and materials.

*How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

The Fund invests in the same themes as the benchmark index S&P Global Water USD NTR but mainly takes notable active risk and it may differ significantly from the composition, weights and risk level of the benchmark index.

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

The Fund's benchmark index S&P Global Water USD NTR differs significantly from the broad market index in that S&P Global Water USD NTR only includes companies related to the water theme and excludes many other industries that are represented in the general world index. The index has been developed for this theme and has no actual general parent index.

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

The methodology of the index is available on the S&P's website.



**Where can I find more product specific information online?**

*More product-specific information can be found on the website:*

[www.op.fi/private-customers/savings-and-investments/funds/supplementary-sustainability-data](http://www.op.fi/private-customers/savings-and-investments/funds/supplementary-sustainability-data)