

A photograph of several wind turbines on a grassy hill under a clear blue sky. The image is overlaid with a semi-transparent teal filter. The text is positioned in the upper left quadrant.

SUSTAINABLE INVESTMENT POLICY

Sparinvest S.A.

Approved by the Board of Directors on 8 August 2023

Sparinvest S.A. (hereafter "Sparinvest") is a Luxembourg Management Company of UCITS and an Alternative Investment Fund Manager of AIFs, with a branch (ID-Sparinvest, Filial af Sparinvest S.A., Luxembourg) in Denmark. Sparinvest is part of the Nykredit Group, as Nykredit Bank A/S holds more than 75% of the shares of Sparinvest's parent company. It is an important part of our DNA to take responsibility for wider society and create long-term value for our clients. We are convinced that investing sustainably is inseparable from our aim of delivering robust, long-term investment returns to our clients.

Our ambition to benefit society and create long-term value for our clients is central to how we invest on behalf of our clients, how we advise our clients, and how we run our business. As a sustainable financial company, Sparinvest is both committed and uniquely positioned to help solve the challenges faced by society. We aspire to be strong custodians of capital and society, for current and future generations. We believe this is how we achieve the best results – for our clients and the world around us.

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1 PURPOSE AND SCOPE

This policy sets the framework for our work with sustainable investment and environmental, social and governance issues, commonly referred to as ESG. The policy applies to all Sparinvest's investments on behalf of our clients as well as Sparinvest's own portfolios. The policy applies to all asset classes. Some asset classes involve special conditions that require further clarification. This is the case for government bonds (Section 8) and mortgage bonds (Section 9).

The policy covers investments made by Sparinvest as well as by external asset managers appointed by Sparinvest. For this reason, selection of external asset managers is described in a separate section. The policy also covers derivative financial instruments such as Exchange Traded Funds (ETF) and similar instruments with underlying investments. If such instruments are used, they must present the best possible match with this policy.

Sparinvest serves a wide variety of clients ranging from private individuals to Danish and international institutional investors. However, our commitment to creating value remains the same, irrespective of which clients we serve. We take responsibility by helping resolve societal challenges where we can make a difference. This policy constitutes the foundation across all our investments. Some clients may have special investment needs and requirements, which we are happy to accommodate, but as a minimum always within the framework of this policy. Discretionary mandates managed on behalf of institutional investors will, however, be regulated by the individual sustainable investment policies of such investors rather than by this policy.

Among our broad range of investments in different asset classes and strategies, each product has its own specific approach, which is described in detail in the guidelines of the individual funds.

2 HOW WE INVEST

Sparinvest's core values are reflected in the way we conduct our investments. To Sparinvest, sustainable investment is about incorporating environmental, climate, social and governance issues in investment decisions. It is about creating impact. We are convinced that we provide most benefit to society and to investors by investing in businesses with the greatest potential to move in a more sustainable direction, rather than investing only in those already there.

We take responsibility by incorporating sustainability considerations in our investment processes, both in the selection of companies and the ongoing monitoring and evaluation of investments.

We also believe that we, as owners, can influence our investee companies to change. To this end, we use our influence on the companies to express our views, through engagement and voting.

Some investments are excluded from all strategies. For example, we do not invest in producers or distributors of controversial weapons or in companies persistently failing to comply with international norms, conventions and recommendations and where engagement has proved futile. We also exclude a number of energy companies because their transition planning is either non-existent or unrealistic.

Sparinvest believes investing sustainably and creating market returns can go hand in hand. In our view, companies that deliver solutions to the challenges faced by our societies and act appropriately will also be the most successful in the future. From this perspective our actions as investors should reduce sustainability risks as well as financial risks. In the long term this should result in a positive impact on returns as well as on society. There are, however, cases where the fundamental consideration for society takes precedence, and we will exclude a company regardless of the return potential. For example, this applies, as noted above, where issuers persistently breach international norms or conventions. In these instances we will decide to exclude a company without taking the return potential into consideration. The principles behind these exclusions are described in more detail later in this policy.

However, some of our products go beyond our general approach and involve further measures, for instance stronger engagement to drive change or further exclusions.

ESG integration	Stewardship	Exclusions	Transparency
Throughout the stages of our investment processes, we integrate consideration and analysis of ESG issues.	We use the tools of active ownership – voting and engagement – to drive positive change.	We set a baseline, excluding certain investments from all strategies. Some funds apply further exclusion criteria.	We provide transparency to all stakeholders on our sustainable investment practices, objectives and results.

We recognise that many investors wish to have information about the financial returns of their investments, while also wanting to understand their impact on broader society. We are committed to providing our investors with that understanding.

Using this approach, we aspire to identify ESG risks and manage principal adverse impacts with the aim of creating value and benefiting society.

2.1 Sparinvest's climate target and contribution to achieving the UN Sustainable Development Goals

Sparinvest wants to conduct investment in alignment with the Paris Agreement and contribute to reaching the UN Sustainable Development Goals (SDGs). We have therefore committed to carbon-neutral investment portfolios by 2050, thereby contributing to limiting global warming to 1.5°C. The primary contributor to this will be the individual companies' efforts to become climate neutral, but may also be investments in activities that reduce greenhouse gas (GHG) levels in the atmosphere as well as in companies with exposure to GHG emitting activities. This means that our investments will contribute to limiting global warming to 1.5° C in alignment with the International Energy Agency Net Zero Scenario.

By 2030, 100% of assets under management will comply with the principles of the Net Zero Investment Framework. Nykredit wants to reduce the emission intensity of our investments by 60% between 2020 and 2030. The world's investors play a central role in guiding society in a more sustainable direction and supporting the 17 SDGs by investing in sustainable measures and encouraging companies to assume responsibility for achieving the goals. Sparinvest also has a responsibility for allocating our clients' and our own funds in a manner that supports the sustainable transition. By including sustainability considerations in our investment processes, Sparinvest seeks to contribute to positive change. Sparinvest regularly analyses the degree to which the investments are aligned with the SDGs with the aim of promoting conduct that is consistent with the SDGs and reducing conduct that is not.

2.2 Sparinvest has adopted international standards and is committed to collaboration

Sparinvest supports and collaborates with a number of organisations and frameworks that are aligned with our own approach to sustainability.

Sparinvest adopted the UN Principles for Responsible Investments (UN PRI) in 2009 and has continued working with the six principles in our processes. In addition to this, Sparinvest together with Nykredit is fully committed to the UN Global Compact and plays an active role in further developing methods in the area of sustainable investment. Furthermore, Sparinvest and/or Nykredit is a member of Dansif, Eurosif and several trade associations, including Finance Denmark and the Association of the Luxembourg Fund Industry (ALFI). Sparinvest and/or Nykredit has also contributed to and supports the Danish Investment Association's sector recommendations on sustainability. Generally, we consider it important to contribute to the development of sector recommendations and shared methods and often play a key role in this context.

As part of the efforts to realise Sparinvest's climate target for investments, Sparinvest is a supporting signatory to the Task Force on Climate-related Financial Disclosures (TCFD). The Task Force's recommendations are a central element of the asks towards the companies that are part of Climate Action 100+, in which Sparinvest has been an active participant since inception. Sparinvest is also a member of the

climate network Institutional Investor Group on Climate Change (IIGCC) and has joined the Net Zero Asset Manager Initiative, which commits asset managers to supporting the goal of climate neutrality by 2050, setting interim targets for 2030, and contributing to the development of methodologies.

We also work with other frameworks and sustainability certifications, including the Nordic Swan Ecolabel and Towards Sustainability.

2.3 Link to Sparinvest's remuneration policy

The Sustainable Investment Policy is directly linked to Sparinvest's Remuneration Policy. Sparinvest has formulated ESG key data points focused on climate footprint, sustainable solutions as well as client and staff views of Sparinvest's performance in terms of sustainable investment. Some Sparinvest staff members have bonus schemes or may receive performance awards, the determination of both being based partly on this policy and their sustainable investment performance. Sparinvest's remuneration policy is available on Sparinvest's website.

2.4 The policy's significance to returns

The philosophy behind this policy is that environmental, social and governance (ESG) issues and how they are treated have a major impact on corporate values and on long-term returns. The policy is founded on an objective of generating value and making a difference through integration of sustainability in the investment process and by driving positive change. This is, in Sparinvest's view, the best way to generate good risk-adjusted returns for our clients and, in a joint effort with our clients, to realise the ambition of a more sustainable development.

Although some consider ESG data to be non-financial, we disagree. ESG issues may have as much, if not more, financial relevance as other types of fundamental information about an investment. Therefore, Sparinvest integrates ESG in our investment processes, as we believe it has a bearing on the risks and return potential of an investment. This mindset builds on our own as well as external analyses of the correlation between sustainability risks and potential returns on the investment. These analyses and Sparinvest's long experience with sustainable investment show us that there is a correlation between ESG performance and returns. Sparinvest conducts ongoing analyses and reports on the issue in our annual reports.

Sparinvest's efforts towards contributing to climate transition and reaching our ambition of climate neutrality by 2050 are based on the recommendations of the Task Force on Climate-related Financial Disclosures. In this respect, too, the perspective is that, as the world moves towards climate neutrality, companies from many different sectors will be faced with climate-related risks and opportunities with major impacts on their long-term viability and value. The obvious example is companies involved in fossil fuels, which will be facing special risks, whereas other technologies within energy savings and renewables will have a greater potential. This potential and these risks are considered in the investment process.

Sparinvest will make principle-based decisions on exclusions of companies, for example, if these do not respect international norms or agreements. These decisions are based on our values and do not take the return potential of a company into consideration. In spite of this, it is our experience that Sparinvest will be able to deliver competitive returns on our investments. This is due to the fact that these exclusions contribute to reducing sustainability risks over time, even though this was not the primary rationale for the exclusion. This could be the case of a coal mining company excluded due to the lack of transition planning and which later on experiences a decline in demand as a result of the green transition. Another case could be the divestment of a sanctioned company, which experiences limitations to its business due to the sanctions.

2.5 Advice based on client preferences

Sparinvest believes that investing sustainably is inseparable from our aim of delivering strong long-term risk-adjusted investment returns to our clients. We invest to create value and benefit society. We make our knowledge available to clients when providing investment advice or portfolio management services, so that we can find the right solution together. Our clients are varied and have different demands and needs when it comes to sustainability. We therefore offer different solutions. The solution is the client's choice, but we always provide insight, so that the choices and their consequences are clear. We follow up with reporting

both on value creation in the form of financial returns and the impacts on broader society. We do this to make sure that our clients are comfortable and satisfied with the solution chosen.

3 ESG INTEGRATION

Information on ESG strengths and weaknesses, risks and opportunities is a significant part of the fundamental information we use to select investments, build portfolios, monitor companies and work with them using the tools of stewardship.

How we utilise ESG information and monitor investments varies across asset classes and investment strategies. There are commonalities across all funds and products. However, an actively managed fund, selecting individual equities after detailed analysis, is naturally different from a quantitatively managed fund that systematically builds portfolios, or a passive fund designed to track the returns of an index.

As a baseline, across all funds, all holdings and potential investments are screened on a rolling basis for compliance with international norms in the areas of human rights, labour rights, the environment and climate. This includes widely recognised UN conventions: the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the Paris Agreement and conventions concerning controversial weapons. This information is used to inform both investment decisions and our stewardship programme. Some companies may be excluded as a result (read more in Section 7). We also monitor the broader ESG performance of our investments, including relevant measures of climate footprints.

For our passively managed index strategies, the primary consideration is to replicate the performance of a specific index. Some of these indices are constructed on the basis of sustainability considerations, while others do not include this aspect. Regardless, monitoring of companies and stewardship play an important role.

For our actively managed, quantitative strategies, securities are selected via systematic quantitative processes, and the underlying data considered in these processes include ESG information.

For our actively managed, fundamental strategies, ESG information is integrated in both qualitative and quantitative ways throughout the entire investment process, from screening and analysing potential new investments, to calculating fair values, to making investment decisions, building and monitoring portfolios, and informing our stewardship activities.

Our investment team approach ESG considerations alongside other fundamental considerations, seeking relevant information from company reporting and contact with the company. We consider megatrends such as climate change and other cross-sector issues that may be expected to have material impact across portfolios, as well as company-specific considerations. Depending on the context – such as the sector in which a company operates – certain ESG issues can be considerably more important than others, and we prioritise accordingly in our analysis. Our internal analysis is also informed and augmented by insights from external research providers, including specialised ESG research providers. This includes ESG research covering industry-level, country-level and thematic ESG issues and also company-specific research.

Our ESG work is based on a broad range of ESG information from both internal and external sources. Sources may include internal research, company reporting, service and data providers, screening for compliance with international standards, proxy voting research, climate data, sell-side research, media and NGO investigations.

For our externally managed strategies, an important criterion in the selection of asset managers is their ability to integrate ESG considerations in the same way as we do in our internal investment management. Based on the monitoring of investments, we communicate regularly with asset managers about the integration of ESG information and the development of their approach.

4 STEWARDSHIP: OVERVIEW

Sparinvest invests sustainably, with a long-term mindset. We recognise that there is no such thing as 'perfect' and that sustainability is not as simple as good versus bad. Instead, we believe in the potential for positive change – whether in terms of driving investment returns or achieving societal goals.

We also recognise that investing sustainably does not end with the investment decision. In fact, that is just the beginning. Our investment philosophy is an ownership philosophy. We see equity investment, for example, as owning real stakes, in real companies. This means we have the opportunity, but also the responsibility, to be active owners, communicating with the companies in which we invest, and potentially influencing their behaviour. The aim of this cooperation is to foster long-term, sustainable corporate value. In the following sections, we describe our approach to stewardship using two main tools of active ownership: voting and engagement, which we see as inherently interlinked. We also explain our approach to escalation and, ultimately, exclusion in some cases where engagement does not develop satisfactorily.

In recognition of our role as stewards of our investors' capital and long-term interests, Sparinvest complies with the EFAMA Stewardship Code.

5 STEWARDSHIP: ENGAGEMENT

Our approach to sustainability feeds directly into our stewardship programme. We seek to sustain the long-term value of our investments, encouraging companies both to mitigate sustainability risks and exploit sustainability opportunities. We are driven by the potential to deliver positive change both in society and in our investments, where we believe it goes hand in hand with strong long-term returns.

As described in section 3 above, we continuously monitor our investments. It provides us with insights into the ESG opportunities and risks that face our investments.

As investors, it is natural to have dialogue with holdings. For example, in our active, fundamental strategies, the investment teams communicate with companies as part of the investment process to bolster their understanding and highlight certain issues. We aim to continue the dialogue with our holdings after the initial investment. The ideal is to have a frank but constructive, two-way dialogue with our holdings, and we do not hesitate to give our views on key issues, whether short- or long-term, ESG or otherwise. However, we classify as "engagements" those dialogues in which we have a specific goal. We take a practical and materiality-based approach: we focus on cases where we see potential for meaningful impact on corporate value and sustainability.

5.1 How do we engage?

Our engagements are usually either direct, collaborative or led by service providers. We often find it can be powerful to combine these methods. Generally, we seek to act as constructive partners to our investee companies, and this means we may also bring third parties into the dialogue – for example, liaising between the company and an NGO regarding best practice on the specific issue.

- **Direct engagements:** These are run by Sparinvest alone. In our active, fundamental strategies, the engagement is typically run by members of our investment teams, since our portfolio managers possess solid knowledge of the specific company that may further strengthen the dialogue. It also sends a clear message to the investee company that sustainability is an issue that runs to the heart of our investment decisions. Our investment teams are supported by our ESG team, who also run engagements on behalf of our quantitative and passive strategies.
- **Collaborative engagements:** These are engagements where we join with other institutional investors via forums such as Climate Action 100+ and PRI to co-ordinate engagement on specific ESG themes. Often, we will assume the role of lead investor where we run the engagement with one company on behalf of various investors, while other investors lead the engagement with other companies.

- Service provider engagements: We also join engagements led by professional service providers. In these cases, we often join the engagement meetings, and we maintain a strong feedback loop with our service providers, for example, advising them of our own engagement experience with the company in question.

5.2 Why do we engage?

We engage with companies on various issues, ranging from specific ESG risks or opportunities identified at the company to broad issues, such as climate change. In deciding which engagements to prioritise, we consider their materiality and the potential for meaningful change.

- Company-specific ESG risks or opportunities: We analyse and monitor specific areas where we can encourage companies to mitigate risks or exploit opportunities that can deliver positive societal impacts and corporate value.
- Climate change: We see climate change as one of the predominant challenges facing companies and society. The nature of corporate approaches to climate transition can significantly impact corporate value. Our engagement work here fits closely with our climate change analysis of portfolios, including carbon footprinting.
- Breach of international norms: Where our ongoing screening identifies breaches of international norms, we adopt a two-pronged approach to engagement: we push for remediation of the issue and change to prevent recurrence of the issue. In our actively managed, fundamental strategies, we engage directly with the company, partly to make it clear to the company that we – as investors – attach significance to the issue, and partly because we believe our knowledge of the company may have particular influence on the course of action. In our quantitatively and passively managed funds, we play an active role in engagements run by a service provider. Sparinvest publishes a list of ongoing engagements with companies in breach of norms.
- Voting-related engagement: We regard voting as a tool in a broader dialogue. When we vote against management recommendations, we seek to supplement this with dialogue. We aim to do this for all holdings in our actively managed, fundamental strategies. In our quantitatively and passively managed strategies, we aim to communicate with the companies on voting issues of particular significance. Where time permits, this dialogue is started before the relevant general meeting.

5.3 Escalation policy

We see engagement as an opportunity for positive and constructive dialogue between listed companies and their stakeholders, with the aim of enhancing long-term corporate value and sustainability.

Of course, dialogue does not always progress to our satisfaction. In such cases, we consider why, whether it is appropriate to escalate, and if so, which steps would be appropriate. Our aim is to foster a constructive environment for dialogue, while making our expectations clear.

We recognise that each engagement and each company has its own unique characteristics, and therefore the best way to proceed is considered on a case-by-case basis. Similar to the manner in which we initially select issues for engagement, we consider the materiality of the issue, the potential for impact and an estimation of the resources required for the engagement. Our approach to escalation may include the following:

- Further communication: Continuing the dialogue. This may involve several modes of communication (emails, phone calls, meeting in person, etc).
- Alternative counterparts within company: Seeking dialogue with different representatives of the company in question. This could be senior representatives (board members or senior management, independent board members, etc) or more specialised representatives. This may involve considering whether Sparinvest's representative has sufficient seniority.

- **Employing a different type of engagement:** In certain cases, it can be constructive to shift from one type of engagement to another, such as shifting from a collaborative engagement together with other institutional investors to one managed solely by Sparinvest.
- **Voting:** Where the issue is the subject of a voting agenda item, we will vote in accordance with our voting policy and in the best interests of our clients. Where the issue is not directly linked to a voting agenda item, we may on occasion vote against a director appointment as a way of expressing dissatisfaction.
- **Filing of shareholder resolutions:** In certain circumstances, we may consider filing a shareholder resolution at extraordinary or general meetings of shareholders, or requesting a general meeting.
- **Public statements:** We may lend our support to broad investor statements related to certain initiatives that we believe contribute to the company's long-term value. In individual engagements, we do not generally consider public statements to be particularly conducive to a constructive atmosphere for dialogue. We may make our views known if considered appropriate, for instance at general meetings, other public venues or in the media.
- **Sale of position:** The current status of any engagement and insights gained from it are naturally part of the fundamental information we consider as we monitor an investment, assess its fair value, and determine whether to remain invested and whether its position size is appropriate. In certain cases, such as serious and persistent violations of international norms, a lack of satisfactory progress in engagement may lead to us placing a company on our exclusion lists, which apply to all portfolios.
- **Legal remedies:** When considered appropriate we may seek legal remedy, for example seeking damages through participation in class action lawsuits.

5.4 Monitoring and reporting on engagements

Sparinvest continuously monitors our different engagements, using internal tools to share data and knowledge across teams. Progress in engagement in relation to a company is discussed in the relevant investment teams and at internal forums. In respect of breaches of international norms, the Sustainable Investment Forum decides whether objectives have been achieved and decides on potential exclusion of companies where engagement progress is unsatisfactory and achievement of the objectives is not deemed to be realistic.

We report on our stewardship activities in our fund-specific reporting and in our annual Transparency Report with the UN PRI. In order to preserve a constructive dialogue with the companies, we usually do not comment in detail on ongoing engagements.

6 STEWARDSHIP: VOTING POLICY

The fact that we as investors may vote at general meetings highlights that our investments represent actual ownership of real companies. At Sparinvest, we consider the thoughtful and proper exercise of those voting rights on behalf of investors to be one of our core responsibilities as an asset manager. We are committed to providing transparency in both our voting process and our actual voting decisions, which we disclose via our website.

6.1 When do we vote?

Sparinvest aims to vote at all general meetings where we are entitled to exercise voting rights, except where the beneficial owners have instructed us otherwise. Note that Sparinvest does not perform stock lending in Sparinvest's investment funds.

6.2 How do we make our voting decisions?

Our voting principles (see 6.4 below) set out key considerations on corporate governance and other areas related to voting. We review all voting agenda items and vote against resolutions which are inconsistent with these principles or which we otherwise consider not to be in the best long-term interests of our clients.

Sparinvest uses proxy adviser services to assist with operational aspects of voting. These advisers provide research on voting agendas, based on customised criteria reflecting Sparinvest's voting principles. This information is supplemented with other data and our own research from our investment processes.

Our active investment teams play a key role in this process, with voting being an important element in the stewardship of investments. As part of the active, fundamental investment strategies, the investment team will analyse agendas against this policy and in the context of dialogue or engagement with the holdings assess how best to vote.

Concurrently, Sparinvest's ESG team reviews agendas across investment strategies, assessing them against this policy and in the context of dialogue. This is done by systematic analysis of agendas by our proxy advisor based on the principles in this policy combined with a more qualitative internal analysis of AGMs selected due to the size of holdings or controversy that demands extraordinary attention.

In the actively managed funds the investment team and the ESG team discuss how best to vote to serve the interests of our clients. In case of disagreement, the investment team will make the final decision within the scope of this policy.

To Sparinvest, voting is a joint effort between the investment team and the ESG team, with the aim of generating value and complying with Sparinvest's policy and objectives.

6.3 Engagement and voting

We consider the exercise of voting rights to be a central part of our broader relationship with companies: a complementary and supporting element in constructive and positive dialogue with listed companies. Where engagement does not progress satisfactorily, we may consider voting in order to highlight our concerns.

When we vote against management recommendations, we seek to supplement this with dialogue. We aim to do this for all holdings in our actively managed, fundamental strategies. In our quantitatively and passively managed strategies, we aim to communicate with the companies on voting issues of particular significance. Where time permits, this dialogue is started before the relevant general meeting.

6.4 Voting principles

The principles below apply to all equity investments managed by Sparinvest and are used to inform our voting decisions on all voting agenda items, including both management and shareholder proposals. The purpose of the principles is to enhance sustainable long-term corporate value while limiting risk, based on the guiding principle of serving the long-term interests of investors in our funds.

In general, we consider a company's board of directors to be responsible for generating sustainable, long-term corporate value, cognisant of its accountability to the company and its shareholders, and its responsibility to other stakeholders such as employees, clients, suppliers and creditors.

Precise thresholds – such as for board independence – may vary by region. Subject to the principles below, Sparinvest supports the general principle that companies should as a minimum comply with best practice corporate governance standards applicable in their country of domicile, or explain their non-compliance.

Governance:

- We support the principle of "one share, one vote".
- We are generally opposed to any kind of "poison pills".

- We support strong protection of minority shareholders' rights.
- We support fair access to make shareholder resolutions.

Members of board of directors:

- The board of directors may include both executive and non-executive directors, but a significant proportion – ideally a majority – should be independent non-executive directors.
- We believe that the roles of chief executive and chair of the board of directors should be separate to ensure board independence and will typically vote against appointments that combine these roles.
- The board should include directors with an appropriate balance of relevant experience and skills.
- The board should consider its diversity. We believe there are long-term benefits to diversity on the board and will generally vote in a manner that encourages this. For example, we will typically vote against the appointment of the chair of the nomination committee and the chair of the board, or other directors as appropriate, at:
 - companies in developed markets where the board is not comprised of at least 40% underrepresented gender identities (underrepresented gender identities include directors who identify as women or as non-binary), or any higher requirement applicable in the country of domicile (in Japan, 30%).
 - companies in emerging markets where the board does not include at least one director of an underrepresented gender identity.
 - companies in specific markets where the board lacks racial diversity.
- Nomination committees should consist of a majority of independent non-executive directors.
- Director nominations should include sufficient information regarding the nominee's experience, skills and links with the company to allow shareholders to make informed decisions.
- Director nominations should not be bundled under one agenda item.
- The board of directors should take steps to measure and ensure its effectiveness. This should include ensuring that directors are able to allocate sufficient time and that directors do not hold an excessive number of board positions at multiple companies.

Remuneration:

- Remuneration committees should consist of a majority of independent non-executive directors.
- A transparent remuneration policy should align the interests of management with the corporate strategy for the creation of long-term value and the safeguarding of the long-term interests of shareholders.

Reporting and audit:

- Companies should be transparent, providing full and meaningful disclosure of relevant information to stakeholders and shareholders.
- Such disclosure should include ESG-related information, which may have significant financial implications, particularly over longer time periods.

- Accounts should be audited by independent external auditing firms whose other relationships with the company cannot be considered to impair that independence.
- Audit committees should consist entirely of independent non-executive directors.

Dividends, share buybacks and capital allocation:

- Management decisions on capital deployment should be made in the best interests of the long-term corporate value. This consideration may influence our votes on issues such as dividends and share buybacks.
- Where measures of capital efficiency are persistently low over a number of years and where we perceive a lack of a clear and effective strategy to remedy that, we may vote against the election of certain directors.
- We generally believe that significant levels of cross-shareholdings are unlikely to be conducive to long-term value creation, both from the perspective of corporate governance as well as capital efficiency. In companies with persistently high levels of cross-shareholdings, we may vote against the election of certain directors.

Climate:

- We believe that climate change and the transition to a global economy aligned with the Paris Agreement present some of the most significant risks and opportunities for companies. The board of directors should ensure that adequate resources are allocated to understanding, monitoring, formulating and executing a strategy and reporting on these issues.
- Reflecting this, we will consider voting against the election of directors or members of relevant committees, where we perceive a lack of will, effort or ability to address climate-related risks or realise climate-related opportunities.
- We will generally be supportive of constructively-phrased shareholder proposals targeting increased disclosure of climate data, strengthened governance or other actions on climate-related issues.

7 EXCLUSIONS

At Sparinvest, we recognise that our clients are varied and have differing preferences when it comes to sustainability. This also applies to exclusions, where Sparinvest has a number of universal exclusions as well as exclusions related to specific products. Generally, Sparinvest excludes companies with operations that are fundamentally contrary to international norms, conventions and agreements adopted by Denmark (through the EU and otherwise) and which are unwilling to change their practices. This also applies to companies whose conduct indicates systematic violations of the same. Sparinvest also excludes companies lagging behind on climate transition because they have major climate risks but no strategy for transition. A current exclusion list is available on Sparinvest's website.

7.1 Universal exclusion criteria

As described above, Sparinvest has set some universal exclusion criteria that apply to all our strategies. The aim is to preserve a broad investment universe, while setting a clear baseline. None of our strategies will invest in:

- Controversial weapons: confirmed producers or distributors of controversial weapons.

- This means anti-personnel mines, cluster munitions, biological weapons, chemical weapons, depleted uranium, white phosphorus, blinding lasers and nuclear weapons outside the Nuclear Non-Proliferation Treaty.
- Persistent norm violators: a minority of companies that persistently fail to remedy violations of international norms and are unresponsive to engagement.
 - This links with our engagement work and escalation policy. If a company violates international guidelines and conventions and is unwilling or unable, despite Sparinvest's engagement, to remedy the violation, the company will be excluded. The progress of our dialogue with the company on violation of conventions is evaluated regularly. Progress must be assessed not later than two years after the dialogue for violation of conventions commenced. Based on this assessment, Sparinvest will determine whether it is realistic to make the company change its practices. If not, the company will be excluded. This includes tobacco companies.
- Climate – green laggards: Sparinvest has committed to a net zero 2050 Paris-aligned pathway for greenhouse gas emissions from the Group's lending and investment. This commitment is based on the Science Based Targets initiative, the Net Zero Banking Alliance and the Net Zero Managers initiative.

A reduction of fossil fuel emissions is vital in our efforts against climate change. Sparinvest sets out to support the necessary green transition of global energy production. We expect the companies we finance and invest in to share this ambition.

Sparinvest's efforts build on the Paris Climate Agreement and acknowledged climate science as reflected in reports by the IPCC, the International Energy Agency (IEA) and others. According to the IEA's Net Zero Emissions scenario, no new coal mines or oil and gas fields can be developed, and coals must be phased out of energy production in all OECD countries by 2030.

The IEA predicts that fossil fuels will play an inevitable role in global energy production for years to come. Sparinvest acknowledges this, along with the fact that companies involved in the exploration, extraction or production of fossil fuels today have the opportunity and an obligation to play an active and positive role in the green transition by moving their businesses away from fossil fuels and into renewable energy sources.

Sparinvest's policy builds on the basic principle that companies acting in conflict with the IEA's conclusions will generally be excluded, but Sparinvest still reserves the opportunity to finance specific and necessary renewable energy expansions and to invest in companies that have a credible transition plan and invest in the acceleration of the green transition.

In general, Sparinvest will not invest in companies that expand their production in contravention of the IEA's conclusions, nor will Sparinvest invest in companies that are involved in unconventional extraction of fossil fuels or the production of thermal coal.

This means that:

- Sparinvest will not invest in companies in which more than 5% of the capital expenditure (CapEx) is used to expand production in contravention of the IEA's Net Zero Emissions scenario.
- Sparinvest will not invest in companies that derive more than 5% of revenues from unconventional extraction of oil and gas or drilling in the Arctic.

Sparinvest will not invest in companies that derive more than 5% of revenues from the production of thermal coal. From 2030, Sparinvest will have zero tolerance for the production of thermal coal.

- In exception cases, Sparinvest may, however, invest in companies with the above activities, if Sparinvest has a legitimate expectation that the company may be influenced via active ownership to transform and

develop its business in line with the IEA's Net Zero Emissions scenario. This requires, among other things, that the company meets at least one of the following criteria:

- Objectives that are in line with the objective of maintaining global temperature increases below 1.5 degrees and a maximum of two degrees
- A Transition Pathway Initiative score of at least 4
- A sufficient/substantial share of CapEx targeting green assets
- Plans for the phasing out of existing production and reserves

Sparinvest may also invest in specific activities that contribute to the green transition in companies with the above activities. This presupposes that the investment can be limited to these activities, for example through green corporate bonds or a collaboration on infrastructure assets.

7.2 Fund-specific exclusions

Our sustainable investment philosophy places emphasis on the potential for change, and we see significant benefits to society from working with companies to drive positive change. However, we also offer funds excluding a larger part of the investment universe. Our funds use combinations of the exclusion categories below, and specific details on threshold values etc can be found in fund-specific documents. Sparinvest regularly evaluates fund-specific exclusions. In this connection, Sparinvest consults with clients and other market players and considers the general developments in the sector:

- Climate-based exclusions: Climate change is perhaps the single most significant ESG issue, whether in terms of its impact on global society and the environment or in terms of its economic and investment impact. This is reflected in our integration of ESG considerations into our investment processes, in our stewardship efforts, in our management and measurement of climate-related risks and in our overarching climate exclusions. Certain funds go further and exclude companies with certain exposures within industries such as thermal coal, oil and gas, and electric utilities.
- Norm-based exclusions: Our regular screening for norm violations feeds into our engagement work and escalation policy. Extreme cases of persistent violation and failure to respond to engagement can lead to companies being excluded from all funds. However, in certain of our funds, the analysis may also lead to exclusion at an earlier stage.
- Sector-based exclusions: Certain funds exclude companies on the basis of exposures to industries such as alcohol, gambling, weapons and pornography.
- Rating-based exclusions: While we strongly believe in the potential for change, our Swan-labelled funds and ESG-index funds employ ratings-based exclusions, where companies with quantitative ESG scores at lowest level are excluded.

7.3 Sanctions

Sparinvest complies with all financial sanctions applied by the EU to government bonds and specific companies (see Section 8 for specific conditions related to government bonds). In cases where sanctions are imposed only on securities newly issued after a certain date, Sparinvest goes further and typically also excludes pre-existing security issues. This means that Sparinvest generally excludes all securities issued by companies that become subject to financial sanctions from the EU or the US.

In certain instances Sparinvest can choose to exclude an entire country from investments, if the country and its political leadership show contempt for human rights and international agreements. This could be a further escalation in case of international sanctions applied to the country and will be made on the basis of an assessment, whether a company listed in the country can act freely and in a manner such that the company is not indirectly involved in the oppression committed by the regime.

7.4 Exclusion decisions and re-inclusion

The Sustainable Investment Forum decides on the universal exclusions that apply across all of Sparinvest's investments. All decisions on exclusion must be executed as soon as possible after the decision has been made, always provided that it is carried out in an appropriate manner for investment purposes under the given market conditions. If the Sustainable Investment Forum decides to exclude a company, evaluation will be undertaken within two years of the decision in order to determine whether exclusion of the company is still warranted.

All universal exclusions and the reasons are available on Sparinvest's website.

8 ASSET CLASS SPECIFICS: GOVERNMENT BONDS

Sparinvest's ambitions in sustainable investment also cover government bond investments. The policy for government bonds is based on compliance with Danish, Luxembourg, EU and international law as well as consideration of financial risks and opportunities resulting from politico-economic factors in the investment process.

Democracy, political legitimacy, respect for human rights and focus on climate action as well as compliance with the 17 Sustainable Development Goals contribute to economic stability and development in developing and middle-income countries in particular. In turn, this will have a positive impact on government bond returns. By contrast, instable political regimes, involvement in acts of war and lack of political legitimacy due to violation of human rights and fundamental democratic principles as well as lacking focus on sustainable development may pose significant financial risks. Countries with a reasonable level of sustainability will generally be assessed as less risky, and a positive trend will therefore have a positive impact on returns. Countries with a high level of sustainability also tend to have a higher level of capital conservation. Government bond investments may contribute positively to the development of a country but require vigilant investors.

8.1 How we include sustainability considerations in the process

In order for Sparinvest's investments in government bonds to generate societal value and make a difference, we include sustainability considerations about the issuer country in our investment processes. That way, Sparinvest aims to manage the risks of the investments and exploit the potential of identifying whether a country is developing in a positive direction. Inclusion of sustainability considerations will also push investments in the direction of countries striving to realise the Sustainable Development Goals.

8.2 Reasons for exclusion of government bonds

Sparinvest is seeking to comply with Danish, Luxembourg and European foreign policy. At times, a government's behaviour may mean that placing capital at its disposal by buying the country's government bonds would be contrary to the principle of creating value and benefiting society. In such cases, Sparinvest will exclude those government bonds from our investment universe.

The exclusion decision will be based on an overall assessment of sanctions adopted by the EU against the country and leading government officials combined with other Danish, Luxembourg and European political instruments such as blacklists, aid reduction, embargo and cooperation agreements. Sustainability analyses of the country's development are also considered alongside with assessments from broadly recognised international organisations, think tanks and NGOs focusing on development, anti-corruption, freedom of speech and human rights.

As with Sparinvest's other exclusion categories, the Forum on Sustainable Investments makes the decisions on exclusion and re-inclusion in the investment universe. In ambiguous cases where it is considered important to take a wait-and-see approach, or where more thorough analysis is required, the Sustainable Investment Forum may decide to place the issuer on an observation list. Issuers on the observation list must be reassessed within six months of being placed on the list. Exclusion and observation lists will be published on Sparinvest's website. The exclusion will not necessarily cause the exclusion of state-owned companies in the

country concerned. It will depend on the company and its circumstances, and the Forum on Sustainable Investments will therefore make a separate decision for the individual company.

9 ASSET CLASS SPECIFICS: MORTGAGE BONDS

Danish mortgage bonds are an asset class that offers a unique type of funding. It enables the provision of long-term funding to Danish homeowners, agriculture and businesses. The precondition is a mortgage on real estate of a high international construction standard. Danish homes must meet some of the world's highest energy standards. Danish farmers are subject to environmental requirements that are more extensive than European standards in several areas. Danish businesses are often ranked among the most sustainable businesses in the world.

Mortgage bond issuers display a high level of corporate responsibility through their conduct, in part through their credit policies. The issuers are in the process of improving disclosures on their issues and specifying their objectives. As investor, Sparinvest will continue our dialogue with the issuers with a view to further improvements in this area.

Issuers are subject to screening like all other counterparties and assets for violation of international norms and conventions. This information, combined with a sustainability analysis of the issuer, is considered when we invest in mortgage bonds. However, Sparinvest also considers issuers' credit policies, including whether they include sustainability analyses in their investment decisions. Sparinvest will also use reported data on energy efficiency, energy labelling and carbon footprint of capital centres. Moreover, Sparinvest engages with issuers of mortgage bonds on improving their carbon footprint and the reporting of this.

10 ASSET CLASS SPECIFICS: ILLIQUID ALTERNATIVE INVESTMENTS

In respect of alternative investments, for example infrastructure and private equity, sustainability considerations and ESG policies are central elements of the decision-making process. However, special conditions apply to the handling of sustainability considerations in this asset class due to the illiquid nature of the investments. Sparinvest's alternative investments generally take place in collaboration with other asset managers, the selection of which focuses on whether their policies are consistent with Sparinvest's views and whether they have a proactive approach to working with sustainability factors. For example, we expect asset managers to endeavour to improve the climate footprints of the underlying companies, but also to address other issues such as, but not limited to, health and safety and community impact.

Commitments to private equity funds are subject to a contract that clearly sets out Sparinvest's policy and philosophy on sustainability. The contract will also contain any negotiated excuse rights (in a fund structure, the right to opt out of a specific investment).

Upon commitment, Sparinvest will regularly monitor the development, including reporting on various ESG criteria, which will also be communicated to clients. If problematic conditions arise in relation to a specific company, Sparinvest will engage with the asset manager to monitor and possibly inspire the handling of the situation and to ensure transparency.

11 SELECTION OF EXTERNAL ASSET MANAGERS

When selecting external asset managers, Sparinvest considers the manager's ability to create value and benefit society. This approach extends to their investments. Prior to selection, the asset manager's

investment process is analysed, including its alignment with Sparinvest's policy. The existing portfolio is analysed in relation to sustainability, violation of international sanctions and climate footprint. This, combined with the asset manager's plans for further process development, is included in the decision. The asset manager is not required already to be a signatory to UNPRI, but will be requested to do so, if appointed.

Following the appointment of an asset manager, Sparinvest regularly monitors developments in terms of sustainability risks, adverse impacts and climate footprint. This is part of the ongoing dialogue with the asset manager, and we share the information with clients. Sparinvest's exclusion list is implemented for these funds, and Sparinvest will engage with companies if they violate international norms. Sparinvest exercises its voting rights for the funds' equity positions.

12 SERVICE AND DATA PROVIDERS

The preconditions for investing with the aim of creating value and benefiting society are knowledge and the ability to execute. In this context, high quality data and reliable service providers play an important role. Sparinvest obtains data from a variety of different sources. Sparinvest receives information from investee companies and combine it with information from public sources such as public authorities, international organisations, NGOs and the media. In addition, Sparinvest buys data and research from sell-side providers and specialised providers of sustainability data. Insights from these sources are considered in the investment process and in our stewardship work, consisting of engagement and voting. The latter is executed in conjunction with service providers for proxy voting and stewardship.

Sparinvest regularly assesses the suppliers' and service providers' ability to supply valid data, accurate research and, for those engagements carried out via service provider, to deliver on Sparinvest's requests. At least annually, we evaluate the quality of the services and collaboration. Sparinvest's website and our annual reports contain a list of our current service providers.

13 TRANSPARENCY

Transparency is at the heart of Sparinvest's approach to sustainable investment, and we are committed to providing clients and other stakeholders with a clear understanding of our policies, processes and activities. Relevant policies and current reporting on our sustainability activities are available on our website. This includes our PRI Transparency and Assessment reports. Fund specific reports and documents provide more details on individual strategies and are available on the website.

Sparinvest's exclusion lists are published on our website, as is a list of current engagements in relation to violation of international norms. Sparinvest's website also includes a summary of voting at companies' general meetings.

14 GOVERNANCE AND REPORTING

Sparinvest's Sustainable Investment Policy is reviewed annually and is subject to approval by the Board of Directors of Sparinvest. The policy contributes to implementing Sparinvest's Corporate Responsibility Policy. The Board of Directors is briefed at least annually on Sparinvest's corporate responsibility activities.

The Forum on Sustainable Investments makes decisions relevant to the implementation of this Sustainable Investment Policy. The Forum will have at least four meetings annually to decide on engagements, possible exclusions and further integration of ESG in the investment processes. The Head of Wealth Management is chair of the Forum, which also has representatives from Asset Management, Group Finance, Sparinvest,

Nykredit Portfolio Administration and People & Identity. The Nykredit ESG Team and the Nykredit Asset Management Forum on Sustainable Investments will assist the Forum on Sustainable Investments. The Policy is implemented by the relevant business units, among other things asset management, and these will provide recommendations. The Nykredit Forum on Sustainable Investments as well as the boards of directors of the individual investment funds will annually evaluate the efforts and the need to further develop this policy.

14.1 Conflicts of interest

From time to time, Sparinvest may encounter conflicts of interest in respect of fulfilling its stewardship responsibilities. To ensure that such situations are addressed correctly, they are covered by Sparinvest's Conflicts of Interest Policy.

With a view to treating all clients in an honest, fair and professional manner, Sparinvest has initiated the following procedures and taken precautions to identify situations in which conflicts of interest or suspicions thereof may arise and to avoid these:

1. Business procedures containing provisions to the effect that all staff members must always pay attention to potential and actual conflicts of interest and endeavour to avoid them.
2. Internal training and instruction of relevant staff to identify potential conflicts of interest and endeavour to avoid them.
3. The assignment of responsibilities to staff members in order to ensure that actual and potential conflicts of interest are reported to their supervisors and the compliance function and treated at the appropriate level.

When conflicts of interest in respect of stewardship activities are identified, managers and the compliance function will be notified. The boards of directors of affected investment funds will be informed about the conflict of interest and the way it has been handled to safeguard the fund's interests. Sparinvest's Conflicts of Interest Policy is available on Sparinvest's website.

The policy also covers voting.

This policy was approved by the Board of Directors on 8 August 2023 after which date the Policy comes into force within Sparinvest.