

A photograph of several wind turbines on a grassy hillside, overlaid with a teal gradient. The turbines are positioned at different heights and angles, creating a sense of depth. The sky is a clear, light blue.

SUSTAINABLE INVESTMENT POLICY

Sparinvest S.A.

January 2024

Sparinvest

Sparinvest takes responsibility for wider society and for creating long-term value for our customers. We are convinced that investing sustainably is inseparable from our aim of delivering strong, long-term investment returns to our customers.

Our ambition to benefit society and create long-term value for our customers guides our investment, advisory and general business practices. Sparinvest is both committed and uniquely positioned to help solve the challenges faced by society and to make a difference. Sparinvest wants to be the responsible financial provider for people and businesses. 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 customers and the world around us.

CONTENTS

1	Purpose and target group	4
2	How we invest.....	4
2.1	ESG issues.....	5
2.2	Sparinvest's climate target.....	5
2.3	Sustainable development goals.....	5
2.4	Nature risks.....	6
2.5	Human rights.....	6
2.6	Corporate governance	6
2.7	Sparinvest has adopted international standards and is committed to collaboration	6
2.8	Link to Sparinvest's Remuneration Policy	6
2.9	The policy's significance to returns	7
2.10	Advice based on customer preferences.....	7
3	ESG integration.....	7
4	Stewardship: Overview	8
5	Stewardship: Engagement.....	9
5.1	How do we engage?	9
5.2	Why do we engage?.....	9
5.3	Escalation policy.....	10
5.4	Initiation, monitoring and reporting on engagement.....	11
6	Stewardship: Voting policy.....	11
6.1	When do we vote?.....	11
6.2	Voting decisions.....	11
6.3	Engagement and voting.....	12
6.4	Voting principles.....	12
7	Exclusions	14
7.1	Universal exclusion criteria.....	14
7.2	Fund-specific exclusions.....	15
7.3	Sanctions	16
7.4	Exclusion decisions and re-inclusion.....	16
8	Special conditions: Government bonds.....	16
8.1	How we include sustainability considerations in the process	17
8.2	Reasons for exclusion of government bonds.....	17
9	Special conditions: Mortgage bonds	17
10	Special conditions: Illiquid alternative investments	18
11	Selection of external asset managers for listed equities and bonds	18
12	Service and data providers.....	18
13	Transparency	19
14	Governance and reporting	19
14.1	Conflicts of interest.....	19

1 PURPOSE AND TARGET GROUP

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. Certain asset classes involve special conditions that require further clarification. This is the case for government bonds (chapter 7), mortgage bonds (chapter 8) and illiquid alternatives (chapter 9).

The policy covers investments made by Sparinvest as well as by external asset managers appointed by Sparinvest. The policy also covers derivative financial instruments, Exchange Traded Funds (ETF) and the like with underlying investments. If such instruments are used, they must present the best possible match with this policy.

Sparinvest serves a wide variety of customers ranging from private individuals to Danish and international institutional investors. However, our commitment to creating value remains the same, irrespective of which customers we invest for. We take responsibility for resolving societal challenges where we can make a difference. This policy constitutes the foundation across all our investments. Customer-specific needs and requirements are accommodated, 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.

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 invest. To Sparinvest sustainable investment is about incorporating environmental, climate, social and governance issues in investment decisions and 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 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 the international guidelines, conventions and recommendations and where engagement has proved futile. Subject to certain criteria, we also exclude companies involved in fossil fuels, if their transition plans are either non-existent or deemed by us to be 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 should reduce sustainability risks as well as financial risks and should result in a positive impact on returns and on society in the long term. There are, however, cases where fundamental considerations for society take 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. 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 more 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 stewardship – 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.

Many investors want not only to follow the performance of their investments, but also to understand their impact on broader society. We are committed to providing our investors with that understanding. Using this approach, we want to identify ESG risks and manage principal adverse impacts with the aim of creating value and benefiting society.

2.1 ESG issues

A wide range of environmental, social and governance issues can be material both to investment risk and return, and to wider society and the environment. This ranges from climate change, nature risk, human rights considerations, and other cross-sector issues that may be expected to have material impact across portfolios, to more company-specific considerations. Across these issues, we believe in a broad approach that encompasses the integration of such considerations into our investment processes, as appropriate to the strategy as asset class, and stewardship to encourage change.

2.2 Sparinvest's climate target

Sparinvest wants to conduct investment in alignment with the Paris Agreement and contribute to reaching the UN Sustainable Development Goals (SDGs). We commit to our investments being climate neutral in 2050. The primary contributor to this will be individual companies' efforts to become climate neutral, but there 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's Net Zero Emissions by 2050 Scenario.

By 2030, 100% of the assets under management should comply with the principles of the Net Zero Investment Framework. Sparinvest is in the Nykredit Group, and Nykredit has committed to reduce the aggregate carbon intensity of its assets under management by 60% from 2020 to 2030.

Given the scope of climate change to impact investments across our portfolios, climate related considerations naturally form a key part of the ESG considerations across our product range, both in terms of integration into our investment process, and our stewardship activity. In this work, we consider transition-related risks and opportunities facing companies and society. However, we also recognise that impacts of climate change already exist and are likely to increase in severity, even if the world adheres to a 1.5°C pathway. We therefore also aim to consider, where relevant, climate-related physical risk and resilience, and the specific risks and opportunities this creates, in our work.

2.3 Sustainable development goals

The world's investors play a central role in driving 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 – and to be aware of the risks and opportunities they face relating to the goals. Being one of Denmark's largest investment managers, we have a responsibility for allocating our clients' and our own funds in a manner that supports the sustainable transition, while delivering appropriate returns. By including sustainability in our investment processes, Sparinvest seeks to contribute to a positive change. Sparinvest regularly analyses the degree to which the companies' activities are aligned with the SDGs with the aim of promoting conduct that is consistent with the SDGs and reducing conduct that is not. Among the various issues covered by the SDGs, below we highlight two specific areas of particular relevance.

2.4 Nature risks

Society, the business sector and the economy inherently depend on ecosystem services, and as such, deterioration of nature and biodiversity poses risks for companies and investors. Nature risks also intersect with climate change considerations, given the crucial role that nature can play in facilitating transition. We see loss of biodiversity as a significant challenge for companies, their sub-suppliers and society. We note the aims of the 2022 Montreal agreement on biodiversity and the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) from 2023 as a framework for companies to assess and provide disclosures regarding nature-related dependencies, risks and opportunities. Topics we work with deal with companies' impact on their local environment, their footprint and dependencies. Our dialogues revolve around companies' target setting and improvement of their biodiversity footprint reporting.

2.5 Human rights

The individual's right to decide on her or his own life and autonomy is also a decisive aspect of this policy. We expect the companies in which we invest to respect human rights through their activities. Specifically, we expect the companies to live up to the UN Guiding Principles on Business and Human Rights, which are reflected in the OECD Guidelines for Multinational Enterprises. These mean that companies must exercise due diligence to ensure that human rights are respected in their own activities and associated supply chains.

2.6 Corporate governance

Good corporate governance is the starting point for companies to have the will and ability to handle these challenges, and as such, is a fundamental consideration in our investment processes, our stewardship activities, and our voting principles.

2.7 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 sustainability approach.

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 plays an active role in further developing methods in the area of responsible investment.

Sparinvest has endorsed the UN Global Compact. Furthermore, Sparinvest is a member of Dansif, Eurosif, the Association of the Luxembourg Fund Industry (ALFI) and several trade associations, including Finance Denmark. Also, Sparinvest has 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 Managers 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.

2.8 Link to Sparinvest's Remuneration Policy

The Sustainable Investment Policy is directly linked to Sparinvest's Remuneration Policy. Individual staff members' compliance with the policies of the Group, including this one, is one of the cornerstones of the Remuneration Policy. 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.

2.9 The policy's significance to returns

The philosophy behind this policy is that environmental, social and governance (ESG) issues and how one deals with them have a major impact on corporate values and on long-term returns. We believe that ESG issues can be material both to society and the environment, and to the financial risks and returns of investments. The policy is based 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 customers and, in a joint effort with our customers, to realise the ambition of a more sustainable development.

Although some consider ESG data to be non-financial information, we disagree. ESG matters may have as much financial relevance as other types of fundamental information. We believe ESG issues impact 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. 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 exclusion of companies, for example, if these do not respect international norms or agreements. While these are principle-based decisions, which are not primarily based on returns, we believe that such exclusions can contribute to reducing sustainability risks over time, even though this was not the primary rationale for the exclusion. Potential examples could be exclusion of a coal mining company due to lack of credible transition planning, which subsequently over the longer term experiences a decline in demand as a result of the green transition; or exclusion of a sanctioned company, which subsequently experiences limitations to its business due to the sanctions.

2.10 Advice based on customer preferences

Sparinvest believes that investing sustainably is inseparable from our aim of delivering strong long-term risk-adjusted investment returns to our customers. We invest to create value and benefit society. We make our knowledge available to customers when providing investment advice or portfolio management services, so that we can find the right solution together. Our customers are varied and have different demands and needs when it comes to sustainability. We therefore offer different solutions. The solution is the customer'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 customers 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 perform stewardship activities.

How we utilise ESG information and monitor investments varies across asset classes and investment strategies. However, there are commonalities across all funds and products. An actively managed fund, selecting individual equities after detailed analysis, is naturally different from 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: UN Global Compact, UN Guiding Principles on Business and Human Rights, 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 chapter 6). 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 in relation to the policy play an important role.

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, and building and monitoring portfolios.

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, a 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 delivering investment returns or achieving societal goals.

Our investment philosophy is an ownership philosophy. We see equity investment 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 chapters, we describe our approach to stewardship using two main tools: voting and engagement, which we see as inherently interlinked. We also explain our approach to escalation and ultimately exclusion if 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 4.4 above, we continuously monitor our investments. It provides us with insights into the ESG opportunities and risks our investments are faced with.

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 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" only 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. We also have dialogue with other relevant stakeholders such as NGOs.

- **Direct engagements:** These are run by Sparinvest alone, but always in collaboration with the relevant teams. 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 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 on Sparinvest's behalf.
- **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.

Our four main categories of engagement are as follows:

- **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 strongly impact corporate value. Our engagement work here fits closely with our climate change analysis of the portfolio, including carbon footprint.
- **Thematic:** As with climate change, there are various mega-trends or structural challenges that may be relevant for many companies across sectors or within specific sectors. Addressing these issues requires

not only the efforts of one company, but rather the joint efforts of many. Examples include human rights concerns in supply chains, and nature risks such as the decline in biodiversity.

- **Norms-related:** Where our ongoing screening identifies breaches of international standards, we adopt a two-pronged approach to engagement: we push for remediation of the issue and for change to prevent recurrence of the issue. As for exclusions, Sparinvest publishes a list of ongoing engagements with companies in relation to norms issues.
- **Other 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.

Note that within our actively managed funds, we also aim to communicate to companies our rationale for voting against management, and where time permits, we aim for dialogue before the relevant meeting of shareholders.

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 have their 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 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 or convene a general meeting together with other shareholders.
- **Public statements:** We may lend our support to broad investor statements related to certain initiatives which 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 Initiation, monitoring and reporting on engagement

Sparinvest sets concrete goals, milestones and time frames for its engagement. We continuously monitor our different engagements, using internal tools to share data and knowledge across teams. Progress in stewardship activity is discussed in the relevant investment teams and the Sustainable Investment Forum. The Sustainable Investment Forum monitors and coordinates engagement activities, oversees progress and decides if a company should be excluded due to lack of progress, as described in section 7.1 below.

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 trusting 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 vote, except where our customers and investors have instructed us otherwise. Sparinvest always aims to be able to safeguard our clients' interests in relation to the equities in which they invest through our investment funds. This is why Sparinvest does not perform securities lending in Sparinvest's investment funds.

6.2 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.

Sparinvest uses proxy adviser services to assist with operational aspects of voting. These advisers provide customised research on voting agendas, based on Sparinvest's defined policies and principles for voting.

Agendas and the proxy adviser research are reviewed inhouse. Our active investment teams play a key role in this process, with voting being an important element in the stewardship of investments. The information is supplemented with other data and own research used in our investment processes.

Concurrently, the ESG team monitors agendas across investment strategies, assessing them against this policy. In our passive strategies, the customized research from our proxy adviser is a key input in this process and is combined with a more qualitative internal analysis of AGMs that demand extraordinary attention due to the size of holdings or controversy.

In actively managed funds, the investment team and the ESG team will also discuss how to vote in order to best 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 a central part of our relationship with companies. We see voting as a complementary and supporting opportunity for constructive and positive dialogue with listed companies. Where engagement does not progress satisfactorily, we may consider escalation by voting in order to highlight our concerns.

We regard voting as one part of a broader engagement process. When we vote against management recommendations, we always seek to supplement this with dialogue. We aim to do this for all holdings in our actively managed, fundamental strategies. In our passively managed strategies, we aim to communicate with the companies on voting issues of particular significance.

6.4 Voting principles

The principles below apply to all investments managed by Sparinvest and are used to inform our voting decisions on all voting agenda items and shareholder resolutions. The purpose of the principles is to minimise risk and enhance sustainable long-term corporate value, based on the guiding principle of serving the long-term interests of investors. Voting decisions may exceptionally deviate from the below principles where dictated by the best interests of our investors. Furthermore, there may be situations where certain principles appear contradictory to other principles; in such cases, as always, Sparinvest expects management to work in the best interests of long-term shareholders.

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 should 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 consist of 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 generally 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%). This principle may be deviated from if there is positive development in gender diversity, and if the board comprises at least 30% underrepresented gender identities (20% in Japan).

- Companies in developing countries in which no member of the underrepresented gender(s) serves on the board of directors.
- 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:

- On remuneration committees, the majority of members and the chair should be 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 members for the board of 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 members for the board of directors.

Environmental and social issues, including 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 resolutions targeting increased disclosure of climate data, strengthened governance or other actions on climate-related issues.
- Similarly, regarding other environmental and social issues, such as nature risks and human rights, 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 related risks or realise opportunities. We will generally be supportive of constructively-phrased shareholder resolutions targeting increased disclosure, strengthened governance, or other appropriate actions on such 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 whose activities are contrary to international guidelines, conventions and agreements adopted by Denmark (through the EU and otherwise) and who 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 the green 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, lasers aimed to blind humans, and nuclear weapons outside the Nuclear Non-Proliferation Treaty.
- **Persistent norm violators:** Companies that persistently fail to remedy violations of international norms and are unresponsive to engagement or otherwise show little prospect of improvement. This links with our engagement work and escalation policy. Where we engage on violation of conventions, progress is evaluated regularly. Progress must be assessed not later than two years after the dialogue commenced. Based on this assessment, Sparinvest will determine whether it is realistic that the company will change its practices. If not, the company will be excluded. This includes companies involved in the production of tobacco, as this will be seen by the UN Global Compact as a breach of the 10 Global Compact Principles
- **Climate transition laggards:** Sparinvest has committed to a net zero 2050 Paris-aligned pathway for greenhouse gas emissions. This commitment is based on the Science Based Targets initiative, the Net Zero Banking Alliance and the Net Zero Asset 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 our products 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.

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 stewardship 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 trends in the sector:

Specific criteria on individual funds are described in fund-specific precontractual documents (including prospectuses) and in the methodology description available on Sparinvest's website. Funds typically apply some or all of the below categories of exclusion.

- **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 exposure to industries such as thermal coal, oil and gas as well as utility companies.
- **Norm-based exclusions:** Our regular screening for norm violations feeds into our engagement work and escalation policy. 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, certain sustainable funds and ESG index-linked funds employ ratings-based exclusions, where companies with quantitative ESG scores at the lowest level are excluded.

7.3 Sanctions

Sparinvest complies with EU sanctions and specific US sanctions (see chapter 7 for specific conditions related to government bonds). In cases where sanctions are imposed on new issues only, Sparinvest takes it a step further by excluding existing issues as well. This means that Sparinvest generally excludes all issues from companies that become subject to financial sanctions from EU member states 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 laws. 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, which 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 three years of the decision in order to determine whether exclusion of the company is still warranted.

All universal exclusions and their reasons are available at Sparinvest's website.

8 SPECIAL CONDITIONS: GOVERNMENT BONDS

Sparinvest's ambitions of sustainable investments also include government bond investments. The policy for government bonds is based on compliance with 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 sustainable development in the form of 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, unstable 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 wants to comply with 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 benefit 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 European political instruments such as blacklists, aid reduction, embargo and cooperation agreements. Sustainability analyses of the country's development will also be considered together 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, Sparinvest's Sustainable Investment Forum 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 Sustainable Investment Forum will therefore make a separate decision for the individual company.

9 SPECIAL CONDITIONS: 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, real estate of a high international 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 screened like all other parties for violation of international guidelines and conventions. This information, combined with a sustainability analysis of the issuer, is considered when we invest in mortgage bonds. However, Sparinvest takes it a step further and also considers issuers' credit policies, including whether they include sustainability analyses in the investment decisions. We apply data on energy efficiency,

energy labelling and climate footprint provided by the capital centres. Moreover, Sparinvest engages with issuers of mortgage bonds on improving their carbon footprint and the reporting of this.

10 SPECIAL CONDITIONS: 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 professional asset managers, the selection of which focuses on whether their policies are consistent with Sparinvest's approach and whether they have a proactive approach to working with the sustainability factors. For example, we expect asset managers to actively endeavour to improve the climate footprints of the underlying companies, but other issues such as health and safety, community impact, etc should also be addressed.

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 FOR LISTED EQUITIES AND BONDS

When selecting external asset managers, Sparinvest considers their ability to create value and benefit society. This policy also extends to their investments. Prior to selection, the asset manager's investment process is analysed, including how it aligns with Sparinvest's philosophy. 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 to have signed UNPRI, but will be requested to do so, if appointed.

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. Data are obtained from a variety of different sources. Information from investee companies are combined with information from public sources such as authorities, international organisations, NGOs and, of course, the media. In addition to this, data and research are bought from sell-side research providers and specialised providers of sustainability databases. Insights from these sources are included in the investment process and our stewardship through engagement with the company and voting. The latter is executed through our service providers by proxy voting and stewardship

The suppliers and service providers' ability to supply valid data, accurate research and in relation to engagements, to deliver on Sparinvest's request is regularly assessed. At least once a year, the quality of the services and collaboration is evaluated. Sparinvest's website and our annual reports contain a list of our current service providers.

13 TRANSPARENCY

Transparency lies at the heart of Sparinvest's approach to sustainable investment, and we are committed to providing customers and other stakeholders with a clear understanding of our policies, processes and activities.

Relevant policies and current reporting on our sustainability activities can be found on our website. This includes our PRI Transparency and Assessment reports. Fund-specific reports and documents provide more details on individual strategies and are also available on the website.

Sparinvest's exclusion lists are published on Sparinvest's website, as is a list of current engagements in relation to violation of international standards. Sparinvest's website also includes a summary of attendance 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 S.A. The policy contributes to implementing the Group's Corporate Responsibility Policy.

The Sustainable Investments Forum meets at least four times annually to decide on the implementation of stewardship, possible exclusions, and further development of the integration of ESG in the investment processes. The Head of Nykredit Asset Management is chair of the Forum, which also has representatives from Sparinvest, other parts of Nykredit Bank, Nykredit Realkredit and from Nykredit's ESG Team. The composition of the Sustainable Investment Forum and a more detailed description of tasks and subcommittees are available in the mandate of the Forum. The Policy is implemented by the relevant business units, including Asset Management, and these will provide recommendations. The Sustainable Investment Forum 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 governed by Sparinvest Conflicts of Interest Policy.

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

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 with 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.

Approved by the Board of Directors on 30 April 2024, after which date the Policy comes into force within Sparinvest.