



SUSTAINABLE INVESTMENT POLICY

SPARINVEST S.A. AND ID-SPARINVEST, FILIAL
AF SPARINVEST S.A., LUXEMBOURG

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HISTORY

Date	By	Comments
April 2024	JHES/CHTC	New Policy
May 2025	JHES/CHTC	Update of the Policy as part of the SFDR re-visit project

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1 INTRODUCTION

Sparinvest S.A. ("Sparinvest") is customer-owned. We are committed to taking responsibility for wider society and creating long-term value for our customers. We believe that investing responsibly aligns with our aim of delivering strong, long-term investment returns to our customers.

Our investment, advisory and general business practices are driven by our deep dedication to benefiting society and creating long-term value for our customers. We aim to be part of solving the challenges faced by society where we are well positioned to make a difference. Sparinvest wants to be a leading customer-owned, responsible financial services provider. 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.

2 PURPOSE AND SCOPE

This Sustainable Investment Policy (the "Policy") is intended to provide the framework for and communicate Sparinvest's practices related to environmental, social and governance issues and sustainable investment. The Policy applies to all investment products, including those classified as sustainable or responsible, as well as those without such classification. It covers Sparinvest's investments on behalf of customers. The Policy applies to all asset classes and covers investments managed by Sparinvest as well as investments made by external asset managers appointed by Sparinvest¹. For the asset classes government bonds, mortgage covered bonds and alternative investments, special conditions apply. For further information, please refer to the specific sections of this Policy.

We share our expertise with customers when providing investment advice and portfolio management services, ensuring that we find the right solution together. This Policy and Sparinvest's exclusion lists apply to all investment products at all times. Subject to mutual agreement and for the purpose of discretionary mandates, we may offer clients solutions based on their own exclusion criteria and policies. Investment sub-funds managed by Sparinvest are only covered by this Policy if they are managed by Sparinvest or by external managers appointed by Sparinvest.

This Policy forms the overall and framework-setting policy that governs Sparinvest's sustainable investment practices. It should be read in conjunction with Sparinvest's other policies and governance documents relating to our sustainable investment activities:

- Stewardship Policy
- Stewardship Framework
- Methodologies related to Sustainable Investments.

For detailed, product-specific characteristics, please refer to the customer agreement or prospectus of the relevant product.

3 SPARINVEST APPROACH TO SUSTAINABLE INVESTMENT

We recognise that a broad range of ESG factors can have a material impact on investment risk and returns (financial materiality), as well as on the environment and wider society (environmental and social materiality). We believe that most social or environmental impacts have the potential to become financially material. This is especially true over long time horizons – for example, as externalities are priced in. These factors may

have an impact on financial metrics, such as underlying revenues, costs, liabilities and cash flows of investee companies. Additionally, they may have an impact on the valuation that financial markets are willing to attribute to these investments.

We acknowledge this double materiality and strive to identify sustainability risks and opportunities. These range from climate change, biodiversity, human rights considerations, governance-related issues, and other cross-sector issues that may be expected to have material impact across portfolios, to more company-specific considerations.

Integrating these factors into the analysis and valuation of assets can contribute to improving financial returns and addressing the challenges faced by society and the environment.

We take a wide approach to ESG integration across our product range subject to variations depending on strategy and asset class. We employ the following tools in various ways, depending on the specific investment strategy and product type:

ESG integration

Throughout the stages of our investment processes, we integrate analysis and consideration of ESG issues and sustainability risks.

Stewardship

We utilise the tools of stewardship – monitoring, engagement and voting – to drive positive change and identify risks and opportunities.

Exclusions

We set a baseline and exclude specific companies across all funds, with certain funds applying additional exclusion criteria.

Transparency

Transparency forms an integral part of our approach, as we strive to be transparent with all stakeholders about our approach, objectives and results.

We exclude a range of companies across all products, but believe that the greatest value lies in investing not only in companies that are already leading the way, but also in those that have the potential to evolve in a more sustainable direction. Therefore, we view stewardship as crucial, using engagement and voting to encourage companies to address the materiality of key ESG issues.

3.1 International standards, collaboration and coalitions

When deemed relevant and meaningful, Sparinvest may collaborate with like-minded investors or other stakeholders in relation to ESG integration and stewardship, in accordance with applicable legislation. Collaboration may take the form of investor coalitions or other relevant collaboration groups. Sparinvest acts independently when entering into collaboration, including participation in investor coalitions and/or collaboration groups. This means that we remain independent in making our investment decisions and decisions related to engagement and voting. We will always act independently in shaping our strategies, policies and practices, while prioritising the best interests of our customers.

Sparinvest participates in, among others, the Institutional Investors Group on Climate Change (IIGCC), the Net Zero Asset Managers initiative (NZAM), Climate Action 100+ (CA100+) and the Investor Alliance for Human Rights. Sparinvest is a signatory to the UN Principles for Responsible

Investment (UN PRI), the UN Global Compact and the Task Force on Climate-Related Financial Disclosures (TCFD), and was one of the founding signatories to the UN Principles for Responsible Banking (UN PRB) in 2019. Sparinvest is also a member of Dansif, Eurosif and Finance Denmark and supports the trade recommendation for minimum handling of sustainability issues. Sparinvest also works with other fund-specific sustainability certifications, including Towards Sustainability.

In addition, Sparinvest views the UN Sustainable Development Goals (SDGs) as a valuable reference framework for joint global efforts to promote sustainable development.

4 SUSTAINABILITY RISKS AND ESG INTEGRATION

A wide range of ESG factors can be material both to investment risk and returns, and to the environment and wider society. The materiality of specific ESG issues and sustainability risks varies by geography, industry and the individual characteristics of the company. We employ a range of approaches to assess both the inward materiality to our investments, and the outward materiality to society and the environment. This includes, but is not limited to, reference to external frameworks.

We also recognise the different characteristics of investing across asset classes, and our approach to ESG integration, including the integration of sustainability risks, is tailored to different asset classes and investment strategies. However, some elements apply across all funds and strategies. For example, all investments are monitored on an ongoing basis for compliance with recognised international norms and conventions. These include widely acknowledged UN conventions, including but not limited to the UN Global Compact and the UNGPs on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Investments are also monitored based on a range of criteria related to climate and the environment, along with other activity-based criteria. In addition, we exercise stewardship across the board through engagement and, for equity investments, voting. Sparinvest's overall approach to screening and exclusion is described in section 6 of this Policy, and further details are available in the Methodologies related to Sustainable Investments.

For actively managed strategies: Sustainability and ESG information is integrated both qualitatively and quantitatively throughout the investment process, from screening and analysis of potential new investments, to valuation, to investment decision-making and the construction and monitoring of portfolios.

This means that investment managers of actively managed strategies monitor the investee companies in relation to matters that may have a material impact on investment risk and returns (financial materiality) as well as on the environment and wider society (environmental and social materiality). This includes ongoing assessment of the companies' strategy, financial results, risks, capital structure, social and environmental impacts and corporate governance. This is based on information from companies' reporting, contact with the companies, and/or through analysis and data from a number of external suppliers, including specialised ESG analysis. Analysis may cover industry-level, country-level and thematic ESG issues, or company-specific re-search. Data sources include, but are not necessarily limited to, company reporting, service and data providers, internal analysis, proxy voting research, climate data, sell-side research, media and NGO analysis.

For passively managed index strategies, the primary consideration is to replicate the performance of a specific index. Some indices are constructed on the basis of sustainability considerations, while others do not include this aspect.

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.

5 STEWARDSHIP

Stewardship of investee companies is a key priority. We invest with a long-term mindset, recognising both the opportunity and responsibility to communicate with and influence companies. The aim is to foster long-term corporate value by encouraging companies to manage risks, including sustainability-related risks, and capitalise on opportunities as well as to address principal adverse impacts. In prioritising our stewardship activities, we consider materiality and the potential for meaningful change. Sparinvest's stewardship practices including the monitoring of investment, voting and engagement. For further information, please refer to the Stewardship Policy and the Stewardship Framework.

6 EXCLUSIONS

The following section provides an overview of Sparinvest's approach to exclusions. The aim is to preserve a broad investment universe, while setting a clear baseline. Sparinvest's general exclusion list is available on Sparinvest's website. A detailed description of Sparinvest's applicable exclusion criteria, including information on international norms, agreements and standards referenced in the exclusions, can be found in the Methodologies related to Sustainable Investments.

6.1 General exclusion criteria

- Sparinvest excludes companies that expand their production in contravention of the International Energy Agency's (IEA) conclusions. Sparinvest also excludes companies involved in unconventional extraction of fossil fuels or the production of thermal coal. In exception cases, Sparinvest may invest in companies engaged in the activities mentioned above, 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 by 2050 scenario. For further information, please refer to the Methodologies related to Sustainable Investments.
- Sparinvest excludes controversial weapons across all products¹.
- Sparinvest excludes companies whose business and/or conduct is structurally assessed to be in violation of international guidelines, norms or conventions, and which are unresponsive to dialogue or engagement, or where, for other reasons, the potential for improvement is deemed low. If a company is assessed to have a potential breach, an action plan will be prepared. Engagement progress is continuously evaluated, and within two years of initiating the engagement, an assessment must be made as to whether the progress is sufficient or whether the company should be excluded.
- Sparinvest excludes companies involved in the production of tobacco products, including e-cigarettes.

6.2 Enhanced exclusions

Our ESG philosophy places emphasis on the potential for change, and we see significant benefits from working with investee companies to drive positive change. However, we also offer a number of funds that exclude a larger portion of the investment universe by applying combinations of the exclusion categories listed below. Specific criteria for individual funds are described in fund-specific precontractual documents (including prospectuses) and in the Methodologies related to Sustainable Investments.

- Climate-based exclusions: Climate change is perhaps the single most significant ESG theme, whether in terms of its impact on global society and the environment or in terms of its economic

¹ Reference is made to the Methodologies related to Sustainable Investments for the definition of controversial weapons. The definition is based on external guidelines, such as the EU Convention on Certain Conventional Weapons.

and investment impact. This is reflected in our integration of ESG considerations into the entire investment processes, in our stewardship practices, in our management and measurement of climate-related risks and in our overarching climate exclusions. Certain funds go further and exclude companies with activities in industries such as thermal coal, oil and gas as well as utility companies.

- Norm-based exclusions: Our regular screening for violation of international standards feeds into our stewardship and escalation practices. 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 with activities in industries such as alcohol, gambling and pornography, as well as on criteria for tobacco and weapons that extend beyond our general exclusion criteria.

6.3 Resolution on exclusion and re-inclusion

Nykredit's Sustainable Investment Committee, in which Sparinvest participates, has the final mandate to make decisions on general exclusions across Sparinvest's products. Decisions on exclusion of companies must be executed as soon as possible after the decision has been made with consideration for market conditions. If the Sustainable Investment Committee decides to exclude a company, such a decision will be re-evaluated regularly to determine whether exclusion of the company is still warranted. General exclusions and the reasons for such exclusions are disclosed on Sparinvest's website.

Sanctions

Sparinvest complies with EU sanctions. 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 in accordance with the aforementioned sanction regimes. In certain instances, Sparinvest can choose to exclude an entire market, if the country and its leadership show contempt for human rights and international laws. This could be a further escalation in case of international sanctions and will be made on the basis of an assessment of whether a company listed in the country can act freely and in a manner such that the company does not indirectly contribute to the oppression of the population committed by the regime

7 SPECIAL FOCUS AREAS

The following are examples of areas where we have a particular focus in connection with the integration of ESG.

7.1 Climate

Climate change has significant environmental, societal and financial impacts, and we recognise the need for a global transition to lower emissions. This means that, besides the physical risks of climate change, our investments are exposed to both transition risks and opportunities as societies and companies transition towards a climate-neutral economy.

Sparinvest wants to invest in alignment with the Paris Agreement while promoting the green transition across sectors and asset classes. We have committed to carbon neutrality across all investments on an aggregated basis by 2050. At Sparinvest, we do not aim to achieve our target merely by excluding companies. If we are to succeed in achieving carbon neutrality by 2050, our investee companies must make real progress. Climate-related physical and transition risks have a potential impact on the long-term viability and value of companies. We aim to address this by building an understanding of the climate profile of our investments and the nature of their potential transition towards climate neutrality. This monitoring and analysis links with our stewardship practices, as we see significant potential in working with the companies, encouraging

them to adapt, mitigate both physical and transition risks, and seize climate-related opportunities. We do this both directly and through collaborative initiatives.

A reduction of fossil fuel emissions is vital in our efforts against climate change. Sparinvest promotes 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 Agreement and acknowledged climate science as reflected in reports by and scenarios from 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 both an 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.

As part of our climate efforts, we participate in initiatives such as NZAM, SBTi, IIGCC and CA100+. For further information regarding our work with climate in the investment portfolio and our position on fossil fuels, please refer to our Climate Transition Plan, Fossil Fuels Policy, the Stewardship Policy and Stewardship Framework.

7.2 Nature and biodiversity

Society, the business sector and the economy inherently depend on ecosystem services, and as such, deterioration of nature and biodiversity poses risks to companies and investors. We see loss of biodiversity as a significant challenge for companies and for 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.

7.3 Human rights

The individual's right to decide on his or her own life and autonomy is a decisive aspect of this Policy. We expect our investee companies to respect human rights through their activities and believe that companies failing to meet their human rights obligations may face increased risks. Specifically, we expect them to live up to the UN Guiding Principles on Business and Human Rights, which are reflected in the OECD Guidelines for Multinational Enterprises. These require companies to exercise due diligence to ensure that their activities and associated supply chains respect human rights.

7.4 Defence

The defence policy agenda is becoming increasingly important. At Sparinvest, we believe that it is part of our obligation as a responsible investor to contribute to a safe and stable society. We recognise that our customers have diverse preferences and strive to accommodate these through our range of investment products. Therefore, some of our products offer the opportunity to invest in the defence industry within the framework of this Policy. We adhere to widely recognised conventions and exclude controversial weapons from all portfolios. In addition, we exclude conventional weapons from funds with enhanced exclusion criteria.

8 SPECIAL CONDITIONS

The following sections on government bonds, mortgage covered bonds and alternative investments are included as separate sections in this Policy, as these asset classes are subject to special conditions. Thus, there may be deviations from the approach described herein. For further information, please refer to the Methodologies related to Sustainable Investments.

8.1 Government bonds

Sparinvest's ESG ambitions also include government bond investments. Our government bond investments are 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 responsible development contribute to economic stability and growth, particularly in developing and middle-income countries. This may have a positive impact on government bond returns. Conversely, unstable political regimes can pose financial risks. Countries with a high level of sustainability will, all things being equal, generally be assessed as more resilient and thus more capital-preserving. 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. Sparinvest aims to both manage the risks of the investments and exploit the potential of identifying whether a country is developing in a positive direction. The aim of including sustainability considerations is also to push investments in the direction of countries that are undergoing positive societal development.

At Sparinvest, we focus on ensuring a minimum standard for compliance with fundamental human rights. To this end, we use a range of indicators from international, non-governmental organisations. The principles for the minimum standards are that Sparinvest will not invest in government bonds from countries with a very low level of democracy and freedom as well as a high prevalence of modern slavery.

As a general rule, Sparinvest will align with Danish and European foreign policy and ensure that our investments provide benefit and create value. Therefore, purchasing government bonds in a country that is adversely impacted as a result of Danish and European foreign policy may conflict with the principle of creating benefits and value, as well as undermine the effect of the foreign policy pursued.

In cases where it is considered important to take a wait-and-see approach, or where more thorough analysis is required, the Sustainable Investment Committee may decide that the case needs to be reassessed within a clearly defined, reasonable timeframe before the final decision is made. An overall assessment of a country, and not a specific case, can lead to a country being excluded. Government bond exclusions do not automatically apply to state-owned companies in the country in question.

Mortgage covered bonds

Danish mortgage covered bonds are part of Sparinvest's DNA and represents a unique form of funding and asset class. 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 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. We apply data on energy efficiency, energy labelling and climate footprint provided by the cover pools when we invest in mortgage covered bonds. Sparinvest may engage with issuers of mortgage covered bonds regarding the climate footprint and data quality of the bonds.

8.2 Alternative investments

When investing in illiquid assets such as unlisted funds and companies, infrastructure and private equity via investment through fund structures, Sparinvest has an obligation to the external fund managers to conduct a due diligence investigation. As part of the due diligence process, the fund's conditions are assessed in relation to, among other things, ESG.

For these types of investments, the data quality and availability vary. This imposes different requirements on our approach, and the asset class is therefore subject to a separate process.

This includes a thorough evaluation of the external manager's ESG practices. This means that, prior to the investment decision, Sparinvest will assess the manager's ESG strategy using standardised screening methods and due diligence questions. Sparinvest will monitor ESG compliance to the best of our ability by requiring the external managers to report according to a "comply or explain" model on an ongoing basis over the life of the investment. Due to the illiquid nature of the asset class, there can be no guarantee that Sparinvest

or the underlying funds will be able to sell their investments and thereby safeguard the best interests of customers within a reasonable timeframe in the event of non-compliance with ESG criteria.

9 SELECTION OF EXTERNAL MANAGERS FOR LISTED EQUITIES AND BONDS

When Sparinvest selects external managers, their approach is subjected to due diligence. Prior to selection, the manager's investment process is analysed, including how it aligns with Sparinvest's approach. The existing portfolio is analysed for sustainability factors, which, combined with the manager's approach and processes, are included in decisions.

In some cases, external funds are used in which Sparinvest does not have a controlling interest. Sparinvest will, as far as possible, also seek to comply with this Policy in connection with these funds, but the external managers' ESG approach will apply to these investments, including exclusions. This includes a thorough evaluation of the external manager's ESG practices. This means that, prior to the investment decision, Sparinvest will assess the manager's ESG strategy using standardised screening methods and due diligence questions. Sparinvest will monitor ESG compliance to the best of our ability by requiring the external managers to report according to a "comply or explain" model on an ongoing basis over the life of the investment. Due to the illiquid nature of the asset class, there can be no guarantee that Sparinvest or the underlying funds will be able to sell their investments and thereby safeguard the best interests of customers within a reasonable timeframe in the event of non-compliance with ESG criteria.

10 SERVICE AND DATA PROVIDERS

Data are obtained from a variety of different service and data providers. Sparinvest receives information directly from investee companies and may also use information from public sources, such as public authorities, international organisations, NGOs and the media. In addition to this, data and research are sourced 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 voting and stewardship.

Suppliers' and service providers' ability to supply valid data, accurate research and, in relation to engagements, to deliver on Sparinvest's requests, is regularly assessed. At least once a year, the quality of the services and collaboration are evaluated.

11 CONFLICTS OF INTEREST

In the context of our stewardship, situations may arise where Sparinvest's interests diverge from those of our customers. To ensure that all customers are treated honestly, fairly and professionally and to mitigate any potential conflicts of interest as much as possible, Sparinvest has established procedures to prevent, identify and handle conflicts of interest.

As part of our efforts to prevent conflicts of interest, Sparinvest has prepared a Conflicts of Interest Policy as well as associated business procedures. Internal training programmes for selected employees have been established on how to identify and manage existing and potential conflicts of interest, and a register of conflicts of interest is kept.

For further information, please refer to Sparinvest's Conflicts of Interest Policy. When conflicts of interest are identified, the immediate manager of the relevant unit as well as Sparinvest's Compliance unit are notified. The conflict is then analysed and managed in light of the given case, and workflows are adapted as necessary to prevent future cases. In cases where the measures established by Sparinvest to manage conflicts of interest are not sufficient to reasonably ensure that customers' interests are not harmed, the affected customers are informed of the situation and incident.

12 TRANSPARENCY AND REPORTING

Transparency is a fundamental element of Sparinvest's approach to responsible investments. We are committed to making relevant information about our sustainability practices available on our website, and we report on our sustainability activities and compliance with this Policy as part of the annual financial reporting of Sparinvest and Sparinvest's managed investment funds as well as through disclosures under the UN Principles for Responsible Investments (UN PRI). In addition, product-specific ESG reporting in accordance with applicable EU regulations is available on our website. Sparinvest's current exclusion list is also available on Sparinvest's website, which also contains an overview of our participation in companies' general meetings and information on how we have voted.

Sparinvest is dedicated to providing our customers and other stakeholders with a clear understanding of our policies, processes and activities, and we respond to relevant inquiries from a wide range of stakeholders and customers.

13 RELATIONSHIP WITH NYKREDIT'S REMUNERATION POLICY

For employees for whom Sparinvest considers it relevant due to their employment in the area of, for example, investment advisory and investment management, the criteria applicable to individual employees' bonus programmes must include a requirement of compliance with Sparinvest's policies and rules governing sustainable investment and sustainability risk integration, which employees must observe to correctly perform their duties. Failure to comply with these policies etc may result in a reduction or cancellation of the bonus to which an employee would otherwise be entitled.

14 GOVERNANCE

This Policy was approved by the Board of Directors on 21 May 2025, after which date the Policy is in force within the Management Company.