

June 26 2023

## Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Sparinvest S.A., LEI: 549300SITTZLHSPL3J21

### Summary

Sparinvest, 549300SITTZLHSPL3J21 considers principal adverse impacts of its investment decisions on sustainability factors. This present statement is the consolidated statement on principal adverse impacts on sustainability factors of Sparinvest.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Sparinvest ensures that information about principal adverse impacts on sustainability factors is incorporated in the investment process. Adverse impacts are taken into consideration in the investment decisions and in connection with our shareholder engagement, with a view to mitigating negative impacts and ensuring long-term value creation. The 14 compulsory indicators in terms of negative sustainability impacts are accounted for in different ways in the investment process. Sparinvest screens all investments, and any investments not in alignment with the OECD Guidelines for Multinational Enterprises, including the UN Guiding Principles on Business and Human Rights or the UN Global Compact principles and the ILO Declaration's eight fundamental conventions on fundamental principles and rights at work, will not be considered sustainable investments.

Such information is included in the evaluation of companies, and we seek to mitigate the adverse impacts through shareholder engagement and ultimately exclusion. The principles guiding this work are described in greater detail in our Sustainable Investment Policy available at our website: ([www.sparinvest.lu/globalassets/sparinvest/int/library/policies/sustainable-investment-policy.pdf](http://www.sparinvest.lu/globalassets/sparinvest/int/library/policies/sustainable-investment-policy.pdf)).

Our working procedures for adverse impacts of investments are described in the appendix to the prospectuses available at our website "Various downloads": ([www.sparinvest.lu/library/](http://www.sparinvest.lu/library/) and [www.sparinvest.dk/SFDR](http://www.sparinvest.dk/SFDR)).

The outcome is described in a supplement to the Annual Report available at Sparinvest's website. For Sparinvest SICAV, the document can be downloaded here: ([www.sparinvest.lu/globalassets/sparinvest/int/library/annual-reports/2022\\_annual-report\\_sicav-en.pdf](http://www.sparinvest.lu/globalassets/sparinvest/int/library/annual-reports/2022_annual-report_sicav-en.pdf)). For all other products the documents can be downloaded here: ([www.sparinvest.dk/arkiv/rapporter/arsrapporter/](http://www.sparinvest.dk/arkiv/rapporter/arsrapporter/)).

In 2022 Sparinvest focused in particular on addressing companies' adverse climate impacts. Another priority was to mitigate the adverse impact on the UN's 17 Sustainable Development Goals (SDGs). A third priority was to mitigate the adverse impact of companies in breach of the OECD's Guidelines for Multinational Enterprises or the Global Compact principles. For more information about how

June 26 2023

Sparinvest works with adverse impacts, see ([www.sparinvest.lu/globalassets/sparinvest/int/library/responsibility-report/responsibility-report\\_2022.pdf](http://www.sparinvest.lu/globalassets/sparinvest/int/library/responsibility-report/responsibility-report_2022.pdf)).

Sparinvest seeks to continuously improve the data needed to manage adverse impacts. As a result, data have been regularly updated as new data sources have become available or older data have been broken down. This statement contains the most recent data available as at 1 June 2023. Data in the other statements for 2022 are from 31 December 2022. It is particularly challenging to obtain data for alternative investments defined as unnoted infrastructure and private equity. During the year, Sparinvest has been in dialogue with its investment managers of alternative investments on expanding the scope of future reporting. Even though many investment managers of the alternatives subfunds have already confirmed this, and Sparinvest has gathered some data in the preceding year, it is still not enough to provide a meaningful picture for the purpose of this statement. Sparinvest will continue its efforts to collect data of a scope and quality that will enable future reporting in this area. You can find more information about the methods used and our data management in the website discloses and the methodology document, which can be found at [www.sparinvest.lu/SFDR](http://www.sparinvest.lu/SFDR).

Below, you will find our reporting on the 14 compulsory indicators and three optional indicators. The optional indicators are "Number of identified cases of severe human rights issues and incidents", "Investments in companies without carbon emission reduction initiatives" and "Excessive CEO pay ratio". We have chosen these indicators for the purpose of providing our investors with more detailed information about the scope of adverse impacts of their investments and how they are managed by Sparinvest. Our priorities in the form of climate initiatives, respect for human rights and exercise of voting rights also reflect the interests of our investors.

Description of the principal adverse impacts on sustainability factors

June 26 2023

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	930.723,9 tonnes	N/A	N/A	Investments are managed with a view to lowering emissions and making them climate-neutral by 2050. The emission intensity across investments must be down by 60% by 2030 (from a 2020 baseline). To meet this target, investment emissions are measured, and the data are included in investment
		Scope 2 GHG emissions	180.967,8 tonnes	N/A	N/A	
		Scope 3 GHG emissions	5.556.533,0 tonnes	N/A	N/A	
		Total GHG emissions	6.668.225,0 tonnes	N/A	N/A	
	2. Carbon footprint	Carbon footprint	319,3 tonnes CO2e per	N/A	N/A	

June 26 2023

			million EUR invested			considerations. At the same time, Sparinvest is in dialogue with issuers about better reporting and, not least, setting climate targets. Ultimately, companies that are not willing to transition may be excluded. The statements are based on eg data from mortgage bond issuers and data from MSCI ESG Research. Sparinvest is engaging with individual mortgage bond issuers about their ESG efforts, both in terms of borrower incentives to reduce emissions from the financed dwellings and in terms of the quality and delivery of aggregated climate data.
	3. GHG intensity of investee companies	GHG intensity of investee companies	821,9 tonnes CO2e per million EUR Sales	N/A	N/A	

June 26 2023

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	8,9 pct.	N/A	N/A	Sparinvest's efforts towards the green transition and reaching the climate target of climate neutrality by 2050 are based on the recommendations of the Net Zero Asset Managers initiative and IIGCC. In this respect, too, the perspective is that, as the world moves towards climate neutrality, companies from many different sectors will experience 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
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June 26 2023

						<p>a greater potential. These potentials and risks must be factored into the investment process. Against this backdrop, Sparinvest's approach to investing in fossil fuel companies was revised and tightened in 2022. Through its parent company Nykredit, Sparinvest uses International Energy Agency's Net Zero 2050 scenario analysis to determine the expectations for transition of companies involved in fossil energy. In 2022 Sparinvest excluded companies that derive more than 5% of revenues from thermal coal and have no transition plans. Sparinvest also excludes companies that derive more than 5% of revenues from</p>
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June 26 2023

						unconventional oil and gas and drillings in the Arctic.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	71,6 pct.	N/A	N/A	Sparinvest's approach to sustainability feeds directly into our active stewardship programme. Sparinvest seeks to support our investee companies in their transition towards a net zero emission economy. Sparinvest engages with companies responsible for a significant share of total emissions from the portfolios to
	6. Energy consumption	Energy consumption in	A: 0,33	N/A	N/A	

<sup>1</sup> A=AGRICULTURE, FORESTRY AND FISHING, B=MINING AND QUARRYING, C=MANUFACTURING, D=ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY, E=WATER SUPPLY, F=CONSTRUCTION, G=WHOLESALE AND RETAIL TRADE, H=TRANSPORTATION AND STORAGE, L=REAL ESTATE ACTIVITIES

	intensity per high impact climate sector	GWh per million EUR of revenue of investee companies, per high impact climate sector	B: 9,4 C: 0,51 D: 4,4 E: 0,63 F: 0,06 G: 0,09 H: 1,2 L: 0,63			ensure that the underlying companies set targets in alignment with the targets of the Paris Climate Agreement and IEA's scenario for meeting them. Our engagement involves dialogue with our investee companies on a day-to-day basis and through the global investor initiative Climate Action 100+.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0,6 pct.	N/A	N/A	Biodiversity is included in Sparinvest's risk assessment in connection with investments. Sparinvest engages with companies that act in material breach of international standards, including companies that do significant harm to biodiversity.



June 26 2023

Water	<b>8. Emissions to water</b>	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	6,1 tonnes	N/A	N/A	Water discharge is included in Sparinvest's risk assessment in connection with investments. Sparinvest engages with companies that act in material breach of international standards, including companies that do significant harm to the environment. This information is also included in the assessment of the individual companies' material sustainability risk.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2,8 tonnes	N/A	N/A	Company-specific risk, including environmental pollution, is included in Sparinvest's risk assessment in connection with investments. Sparinvest engages with companies that act in material breach

						of international standards, including companies that do significant harm to the environment. This information is also included in the assessment of the individual companies' material sustainability risk.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,57 pct.	N/A	N/A	Investments and the investment universe are screened at least quarterly for compliance with international human rights standards and labour standards. This includes widely recognised UN conventions: the OECD Guidelines for Multinational Enterprises, including the UN Guiding Principles on Business and Human Rights, the UN Global
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global	Share of investments in investee companies without policies to	53,0 pct.	N/A	N/A	

	<p>Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>				<p>Compact principles, including the ILO Declaration's eight fundamental conventions on fundamental principles and rights, at work. If a company acts in breach of one of these conventions, Sparinvest will seek to mitigate the negative impact through active stewardship, which involves engagement with a view to achieving specific goals. It also involves voting, where relevant. Failure on the part of the company to handle the issue may ultimately lead to exclusion.</p> <p>Sparinvest's website contains a list of companies with identified breaches of international</p>
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June 26 2023

						<p>standards and companies subjected to engagement. Furthermore, Sparinvest publishes the names of companies excluded from Sparinvest's investment universe.</p> <p>If a company is identified as being in breach of international standards, strengthening its policies for the prevention of breaches will always form part of our active stewardship. Our engagement with companies where no specific breach but only the risk of such breach has been identified will only to a lesser extent include this issue. Through its parent, Nykredit, Sparinvest joined an investor network in</p>
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June 26 2023

						2023 focusing specifically on strengthening companies' policies to prevent human rights violations in China.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13,3 pct.	N/A	N/A	This indicator is new, and data remain scarce. Sparinvest is committed to promoting diversity, and this information will play an important role in assessing the investee company's efforts to ensure fair and equal treatment.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	36,9 pct.	N/A	N/A	Sparinvest has identified a number of criteria to support sustainable development. In this connection, diversity on the companies' boards of directors plays a key role. Unless the company has started to address the issue, Sparinvest will

						generally vote against the responsible board members if a company has a representation of the underrepresented gender of less than 40%. In developing countries, the board of directors is expected to have a minimum of one member of the underrepresented gender.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0,05 pct.	N/A	N/A	The policy sets out universal exclusion criteria covering all investments. This entails the exclusion of all manufacturers of controversial weapons such as anti-personnel mines, cluster munitions, biological weapons, chemical weapons, depleted uranium, white phosphorus, lasers aimed to blind

June 26 2023

						humans, and nuclear weapons outside the Nuclear Non-Proliferation Treaty. Investment and investment universes are screened quarterly for such manufacturers. If a new company is identified, it is added to the exclusion list.
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Environmental	15. GHG intensity	GHG intensity of investee countries	729,6 tonnes CO2e per million EUR sales	N/A	N/A	Under the auspices of Finance Denmark and the climate network IIGCC, Sparinvest is developing a method for determination of emissions from government bonds, which will then be reported for the first time. These data are,

						however, included in the assessment of the sustainability risk of the issuing country.
Social	<b>16. Investee countries subject to social violations</b>	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	4 (3,7 pct)	N/A	N/A	<p>Sparinvest's ambitions of sustainable investments also include government bond investments. Our investments are based on compliance with international law and Danish and European foreign policy. In addition, we believe that sustainability, including respect for human and democratic rights, social conditions and climate risks, can contribute to the return. Sparinvest has a set of guidelines for government bonds:</p> <p>Countries subject to sanctions against financial transactions with the government</p>



June 26 2023

						<p>or leading officials of the government will be excluded.</p> <p>Inclusion of democracy and human rights in the investment process based on sustainability analyses of the issuing country.</p>
<p>Indicators applicable to investments in real estate assets</p>						
<b>Adverse sustainability indicator</b>		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A

June 26 2023

Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A
Other indicators for principal adverse impacts on sustainability factors						
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Greenhouse gas emissions	Investments in companies without carbon emission reduction initiatives	35,0 pct.	N/A	N/A	Sparinvest has committed itself to having a climate neutral investment portfolio by 2050 and to reducing the emissions intensity across asset classes by 60% from 2020 to 2030. In order to reach this target, it is crucial that the underlying companies set their own targets for reducing carbon emissions. Therefore, Sparinvest is	

June 26 2023

					exercising active stewardship to incentivise companies to set targets if they have not already done so.
Social	Number of identified cases of severe human rights issues and incidents	0,01	N/A	N/A	Sparinvest expects the investee companies to respect human rights. Every quarter, more than 10,000 different securities are screened for issuer's breach of the OCED Guidelines and/or the UN Global Compact principles. And if an investee company is in breach of international law, Sparinvest will attempt, through dialogue and together with other investors, to make them remedy the breach. If a company fails to rectify its behaviour, it will be excluded.

June 26 2023

Social and employee matters	Excessive CEO pay ratio	231,8	N/A	N/A	<p>Our investors have a legitimate expectation that the companies in which they invest act in their interest. This means that profits after payment of salaries, taxes and expenses should accrue to the owners, ie the shareholders.</p> <p>Therefore, salary and bonus contracts are a central element of our active stewardship and particularly of our voting activities. Sparinvest has been represented at more than a thousand general meetings. At more than one in five general meetings, Sparinvest voted against the recommendations of the boards of directors, one reason being that the CEO's salary was too high.</p>
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### Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The Sustainable Investment Policy is updated and approved at least once a year by the boards of directors involved. In this context, the principal adverse impacts are identified and assessed. The policy is implemented by Sparinvest, which contributes by reporting on these efforts. Through its parent, Nykredit, Sparinvest has set up a Sustainable Investment Forum, which meets at least four times a year to monitor the implementation, make decisions in accordance with the policy and assess the need to further develop the policy. The policy contains, among other things, elements concerning the identification of adverse impacts, mitigation through active stewardship and voting at general meetings of public limited companies.

In 2022 Sparinvest focused in particular on addressing companies' adverse climate impacts. Another priority was to mitigate the adverse impact on the UN's 17 Sustainable Development Goals (SDGs). A third priority was to mitigate the adverse impact of companies in breach of the OECD Guidelines for Multinational Enterprises or the Global Compact principles. Within these three areas, the individual companies are prioritised based on the extent of their adverse impact. This is done by comparing them with other, similar companies while also considering the scope of investments in the company. The only exceptions are cases involving a breach of the OECD guidelines and the UN Global Compact. In such cases, mitigating dialogue or exclusion will be initiated regardless of the scope of investments in the company.

For more details, see the policy here: ([www.sparinvest.lu/globalassets/sparinvest/int/library/policies/sustainable-investment-policy.pdf](http://www.sparinvest.lu/globalassets/sparinvest/int/library/policies/sustainable-investment-policy.pdf)).

### Engagement policies

Our active stewardship policy is included in the Sustainable Investment Policy, seeing as active stewardship is an integral part of the investment process. This applies not only to screening for breach of the OECD Guidelines and the UN Global Compact and inherent mitigating efforts, but also to the more general dialogue with companies, where sustainability factors come into play. This is also the case for voting. Therefore, the voting rights policy has also been integrated into our Sustainable Investment Policy.

For more details, see the policy here: ([www.sparinvest.lu/globalassets/sparinvest/int/library/policies/sustainable-investment-policy.pdf](http://www.sparinvest.lu/globalassets/sparinvest/int/library/policies/sustainable-investment-policy.pdf)).

### References to international standards

June 26 2023

Sparinvest expects investment managers to apply international standards in their investment practices. Sparinvest is a signatory to the UN Principles for Responsible Investment. The climate objective is based on the Paris Agreement and is sought to be achieved through methods described by the Net Zero Asset Manager initiative and the Science Based Targets initiative. Assessment of contributions to the 17 SDGs is based on recommendations from the UNDP and the OECD. The OECD Guidelines for Multinational Enterprises, including the UN Guiding Principles on Business and Human Rights, and the UN Global Compact principles, including the eight core conventions of the ILO Declaration on fundamental principles and rights at work, provide the basis for the important identification of adverse impacts. Involvement in the manufacturing of controversial weapons is identified on the basis of UN conventions, including the Ottawa and Oslo Conventions as well as the agreements on nuclear non-proliferation.

#### Historical comparison

This is our first statement of its kind, and therefore, there is no basis for a historical comparison. The reports referred to above do include historical data but build on a different data basis than this statement.