METHODOLOGY DOCUMENT FOR SUSTAINABLE INVESTING

Sparinvest

Content

INTRODUCTION AND SCOPE

This methodology document provides detailed information on how Sparinvest (the "investment manager") integrates sustainable investment practices in accordance with the Sustainable Investment Policy.

Areas covered by the methodology document:

1. Exclusion criteria
2. Good governance practices
3. International norms
4. Definition of sustainable investments
5. EU taxonomy alignment
6. Data sources and processing

1 EXCLUSION CRITERIA

The investment manager applies two levels of exclusion criteria referred to as general exclusion criteria and enhanced exclusion criteria.

General exclusion criteria are base exclusions applied to all products promoting sustainability characteristics.

Enhanced exclusion criteria are extended exclusions applied to all products with "Ethical" or "Responsible" in their name.

Custom enhanced exclusion criteria are extended exclusions with certain additional custom criteria, applied to certain specific products: "Ethical Global Value", "Ethical Emerging Markets Value" and "Ansvarlige Value Aktier".

Exclusion criteria are divided into categories, also referred to as environmental or social characteristics in the product-specific pre-contractual disclosures. The exclusion criteria applied to a specific product are outlined in the description of the investment strategy in the pre-contractual disclosures of that product.

1.1 General exclusion criteria

INVESTEE COMPANIES
Includes issuers of equities, corporate bonds and covered bonds.

Category	Exclusion criteria	Details
Climate	Companies in which more than 5 pct. of capital expenditures (CapEx) is used to expand production of oil and gas in contravention of the IEA's Net Zero Emissions scenario*	Companies involved in the exploration, extraction or production of fossil fuels include companies operating in the upper part of the value chain of coal, oil and natural gas (upstream), including certain service providers. It also includes infrastructure used only for fossil fuels (midstream). Companies also include parent companies in which the activity in question is undertaken by a subsidiary. The GOGEL IEA Net Zero Emission Expansion Overshoot metric includes all oil & gas resources, which were approved for development after December 31, 2021 or are currently in the process of being approved (field evaluation).
	Companies that derive 5 pct. or more of their revenues from unconventional extraction of oil and gas, or drilling in the Arctic*	Unconventional oil and gas includes tar sand, shale oil and gas, arctic oil and gas.
	Companies that derive 5 pct. or more of their revenues from the production of thermal coal*	Includes mining of thermal coal and sale to external parties.

	Companies in which more than 5 pct. of revenues comes from coal-based energy production**	Generation of electricity using thermal coal as the energy source.
International Norms	Companies assessed by the investment manager to be, or potentially to be, in violation of international norms including but not limited to the UNGC principles and the OECD Guidelines for Multinational Enterprises, without potential for improvement.	Case specific exclusions. See Section 3: International norms.
Weapons	Companies directly involved in any activities related to controversial weapons.	The following weapons are considered controversial as their production and use are assessed to be in conflict with the prohibitions set out in international conventions, such as The Convention on Certain Conventional Weapons. Controversial weapons include the following: Anti-personnel mines Biological weapons Chemical weapons Cluster munition Depleted uranium ammunition and armor Incendiary weapons (including incendiary weapons using white phosphorus*) Nuclear weapons outside the Non Proliferation Treaty *Does not include white phosphorus munitions used for smoke screens, tracers or similar. Nuclear weapons includes companies supporting the nuclear weapon program of a state that is a not a signatory to the Non Proliferation Treaty.
Tobacco	Companies involved in the cultivation and production of tobacco.	Involvement includes the growing and processing of raw tobacco leaves and production of tobacco products. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products. Case specific exclusions may also involve companies with ownership of companies involved in cultivation and production of tobacco.

Exemption rules for general exclusion criteria

Climate *
In exception cases, the investment manager may, however, invest in companies engaged in the activities mentioned above, provided that the investment manager has a legitimate expectation that the company may be influenced via active ownership to transform and develop its business in line with the IEA's Net Zero Emissions scenario. This requires, among other things, that a 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 management quality score of at least 4
- A sufficient/substantial share of CapEx targeting green assets
- Plans for the phasing out of existing production and reserves.

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

Climate **
The investment manager may invest in such companies that the investment manager has a legitimate expectation that the company has a credible transition pathway and plan for the phase-out of energy production from fossil fuels.

The use of exemptions is always considered on a case-by-case basis reflecting the specific circumstances of the issuer. Exempted issuers are subject to approval of the Sustainable Investment Committee.

COUNTRIES
Include issuers of government bonds.

Category	Exclusion criteria	Details
Democracy and human rights	Countries that have a "Democracy Index" score lower than 4 as well as a standardized "Global Slavery Index" prevalence score of 9 or higher.	Democracy Index score is the level of democracy based on the assessment of electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties. Values range from 10 (best) to 0 (worst). Global Slavery Index Prevalence score is based on the "Prevalence" component of the Global Slavery Index, which measures the estimated incidence of modern slavery, based on standardized 0-10 scores.
	Countries that have a "Democracy Index" score lower than 2 as well as a "Freedom" score of 5 or lower.	Democracy Index score is the level of democracy based on the assessment of electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties. Values range from 10 (best) to 0 (worst). The freedom score is the level of political rights and civil liberties in a country, encompassing key areas such as the electoral process, political pluralism and participation, the functioning of the government, freedom of expression and belief, associational and organizational rights, the rule of law, and personal

		autonomy and individual rights. Values range from 0 (worst) to 100 (best).

1.2 Enhanced Exclusion Criteria

INVESTEE COMPANIES
Include issuers of equities, corporate bonds and covered bonds.

Category	Exclusion criteria	Details
Climate	Companies in which more than 5 pct. of capital expenditures (CapEx) is used to expand production of oil and gas in contravention of the IEA's Net Zero Emissions scenario*	Companies involved in the exploration, extraction or production of fossil fuels include companies operating in the upper part of the value chain of coal, oil and natural gas (upstream), including certain service providers. It also includes infrastructure used only for fossil fuels (midstream). Companies also include parent companies in which the activity in question is undertaken by a subsidiary. The GOGEL IEA Net Zero Emission Expansion Overshoot metric includes all oil & gas resources, which were approved for development after December 31, 2021 or are currently in the process of being approved (field evaluation).
	Companies that derive 1 pct. or more of their revenues from exploration, mining, extraction, distribution, or refining of hard coal and lignite.	Screening includes thermal coal. The exclusion criterion complies with Article 12(1)(d) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive a combined total of 5 pct. or more of their revenues from: i. Exploration, extraction, manufacturing, distribution, or refining of oil fuels and gaseous fuels. ii. Exploration, mining, extraction, services, distribution, or refining of hard coal and lignite.**	Screening includes conventional and unconventional oil and gas, and thermal coal. The exclusion criterion complies with Article 12(1)(e-f) of Commission Delegated Regulation (EU) 2020/1818.

	Companies that derive 25 pct. or more of their revenues from the retail of oil fuels and gaseous fuels.**	Screening of oil fuels includes gasoline, crude and petroleum products etc. Screening of gaseous fuels includes liquefied petroleum gas (bottled gas) etc.
	Companies that derive 5 pct. or more of their revenues from electricity generation, based on fossil fuels (greenhouse gas intensity of more than 100 g CO2 e/kWh)**	Screening includes thermal coal, liquid fuel and natural gas. The average intensity for fossil fuel-based power generation is well above 100 g CO2e/kWh and hence fossil fuel-based power generation is used as a proxy for power generation with emissions over 100 g CO2e/kWh. The exclusion criterion complies with Article 12(1)(g) of Commission Delegated Regulation (EU) 2020/1818.
International Norms	Companies assessed by the investment manager to be, or potentially to be, in violation of international norms including but not limited to the UNGC principles and the OECD Guidelines for Multinational Enterprises.	Case specific exclusions. See section 3. International norms.
	Companies assessed by the investment manager's data provider to be in violation of the UNGC principles or the OECD guidelines for Multinational Enterprises.	In violation means that the company is directly involved in one or more very severe unresolved controversies in areas covered by the UNGC principles or the OECD guidelines for Multinational Enterprises. The exclusion criterion complies with Article 12(1)(c) of Commission Delegated Regulation (EU) 2020/1818.
Weapons	Companies involved in any activities related to controversial weapons.	The following weapons are considered controversial as their production and use are assessed to be in conflict with the prohibitions set out in international conventions, such as The Convention on Certain Conventional Weapons. Controversial weapons include the following: Anti-personnel mines Biological weapons Chemical weapons Cluster munition Depleted uranium ammunition and armor Incendiary weapons (including incendiary weapons using white phosphorus*) Nuclear weapons outside the Non Proliferation Treaty

		*Does not include white phosphorus munitions used for smoke screens, tracers or similar. Nuclear weapons includes companies supporting the nuclear weapon program of a state that is a not a signatory to the Non Proliferation Treaty. The exclusion criterion complies with Article 12(1)(a) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 5 pct. or more of their revenues from production or distribution of conventional weapons or firearms.	Conventional weapons include conventional military weapons and nuclear weapons other than those covered under the section on controversial weapons. Firearms include handguns, rifles, ammunition etc. intended for civilian use.
Tobacco	Companies involved in the cultivation and production of tobacco	Involvement includes the growing and processing of raw tobacco leaves and production of tobacco products. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products. Case specific exclusions may also involve companies with ownership of companies involved in cultivation and production of tobacco. The exclusion criterion complies with Article 12(1)(b) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 5 pct. or more of their revenues from the distribution or retail of tobacco products.	Screening includes distribution or retail of tobacco products, companies acting as a licensor of brand names for tobacco products, or as a supplier for tobacco products.
Alcohol	Companies that derive 5 pct. or more of their revenues from the production, distribution, and sale of alcohol.	Screening includes production, distribution and retail of alcoholic products.
Pornography	Companies that derive 5 pct. or more of their revenues from the production or distribution of pornography.	Screening includes production, distribution and retail of pornographic products or services.

Gambling	Companies that derive 5 pct. of more of their revenues from the provision of gambling.	Screening includes companies that own or operate gambling facilities, online gambling websites, platforms, or mobile applications or companies that provide products or support services fundamental to gambling operations.

Exemption rules for enhanced exclusion criteria

Climate *
In exception cases, the investment manager may, however, invest in companies engaged in the activities mentioned above, provided that the investment manager has a legitimate expectation that the company may be influenced via active ownership to transform and develop its business in line with the IEA's Net Zero Emissions scenario. This requires, among other things, that a 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 management quality score of at least 4
- A sufficient/substantial share of CapEx targeting green assets
- Plans for the phasing out of existing production and reserves.
- PAB exclusions according to Article 12(1)(a-g) of Commission Delegated Regulation (EU) 2020/1818

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

Climate **
The investment manager may invest in companies in breach of the fossil fuel exclusion criteria, if they comply with the following:

- PAB exclusions according to Article 12(1)(a-g) of Commission Delegated Regulation (EU) 2020/1818
- At least 90 pct. on average of the company's energy-related capital investments (CapEx) in new capacity for three consecutive years, including the most recent fiscal year, are made in the renewable energy sector
- Revenue from renewable energy constitutes at least 50 pct. of the company's total revenue. The share is calculated as an average over one, two, or three of the most recent fiscal years.
- The company has no revenue from tar sands, shale oil or gas, or other forms of fracking activities and/or extraction of oil shale and/or Arctic extraction.

The use of exemptions is always considered on a case-by-case basis reflecting the specific circumstances of the issuer. Exempted issuers are subject to approval of the Sustainable Investment Committee.

1.3 Custom Enhanced Exclusion Criteria

Product: Ethical Global Value

Category	Exclusion criteria	Details
Climate	Companies in which more than 5 pct. of capital expenditures	Companies involved in the exploration, extraction or production of fossil fuels include companies

	(CapEx) is used to expand production of oil and gas in contravention of the IEA's Net Zero Emissions scenario*	operating in the upper part of the value chain of coal, oil and natural gas (upstream), including certain service providers. It also includes infrastructure used only for fossil fuels (midstream). Companies also include parent companies in which the activity in question is undertaken by a subsidiary. The GOGEL IEA Net Zero Emission Expansion Overshoot metric includes all oil & gas resources, which were approved for development after December 31, 2021 or are currently in the process of being approved (field evaluation).
	Companies that derive 1 pct. or more of their revenues from exploration, mining, extraction, distribution, or refining of hard coal and lignite.	Screening includes thermal coal. The exclusion criterion complies with Article 12(1)(d) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive a combined total of 5 pct. or more of their revenues from*: i. Exploration, extraction, manufacturing, services, distribution, or refining of oil fuels and gaseous fuels. ii. Exploration, mining, extraction, services, distribution, or refining of hard coal and lignite. iii. Mining of uranium.	Screening includes conventional and unconventional oil and gas, thermal coal and uranium. The exclusion criterion complies with Article 12(1)(e-f) of Commission Delegated Regulation (EU) 2020/1818. * The absolute production of or capacity for exploration, extraction, manufacturing, transportation or refining may not be increasing; nor may the company be involved in exploration or the exploitation or development of new fields.
	Companies that derive 25 pct. or more of their revenues from the retail of oil fuels and gaseous fuels.	Screening of oil fuels includes gasoline, crude and petroleum products etc. Screening of gaseous fuels includes liquefied petroleum gas (bottled gas) etc.
	Companies that derive a combined 5 pct. or more of their revenues from*: i. Electricity generation, based on fossil fuels (greenhouse gas intensity of more than 100g CO2 e/kWh) ii. electricity generation, based on uranium.	Fossil fuels include thermal coal, liquid fuel and natural gas. The average intensity for fossil fuel-based power generation is well above 100 g CO2e/kWh and hence fossil fuel-based power generation is used as a proxy for power generation with emissions over 100 g CO2e/kWh.

		The exclusion criterion complies with Article 12(1)(g) of Commission Delegated Regulation (EU) 2020/1818. Electricity generation based on uranium includes nuclear energy based power generation. *The company must not be involved in building new coal-fired power stations; the company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5 GW.
International Norms	Companies assessed by the investment manager to be, or potentially to be, in violation of international norms including but not limited to the UNGC principles and the OECD Guidelines for Multinational Enterprises.	Case specific exclusions. See section 3. International norms.
	Companies assessed by the investment manager's data provider to be in violation of the UNGC principles or the OECD guidelines for Multinational Enterprises.	In violation means that the company is directly involved in one or more very severe unresolved controversies in areas covered by the UNGC principles or the OECD guidelines for Multinational Enterprises. The exclusion criterion complies with Article 12(1)(c) of Commission Delegated Regulation (EU) 2020/1818.
Weapons	Companies involved in any activities related to controversial weapons.	The following weapons are considered controversial as their production and use are assessed to be in conflict with the prohibitions set out in international conventions, such as The Convention on Certain Conventional Weapons. Controversial weapons include the following: Anti-personnel mines Biological weapons Chemical weapons Cluster munition Depleted uranium ammunition and armor Incendiary weapons (including incendiary weapons using white phosphorus*) Nuclear weapons outside the Non Proliferation Treaty *Does not include white phosphorus munitions used for smoke screens, tracers or similar.

		Nuclear weapons includes companies supporting the nuclear weapon program of a state that is a not a signatory to the Non Proliferation Treaty. The exclusion criterion complies with Article 12(1)(a) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 5 pct. or more of their revenues from production or distribution of conventional weapons or firearms.	Conventional weapons include conventional military weapons and nuclear weapons other than those covered under the section on controversial weapons. Firearms include handguns, rifles, ammunition etc. intended for civilian use.
Tobacco	Companies involved in the cultivation and production of tobacco	Involvement includes the growing and processing of raw tobacco leaves and production of tobacco products. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products. Case specific exclusions may also involve companies with ownership of companies involved in cultivation and production of tobacco. The exclusion criterion complies with Article 12(1)(b) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 5 pct. or more of their revenues from the distribution or retail of tobacco products.	Screening includes distribution or retail of tobacco products, companies acting as a licensor of brand names for tobacco products, or as a supplier for tobacco products.
Alcohol	Companies that derive 5 pct. or more of their revenues from the production, distribution, and sale of alcohol.	Screening includes production, distribution and retail of alcoholic products.
Pornography	Companies that derive 5 pct. or more of their revenues from the production or distribution of pornography.	Screening includes production, distribution and retail of pornographic products or services.
Gambling	Companies that derive 5 pct. of more of their revenues from the provision of gambling.	Screening includes companies that own or operate gambling facilities, online gambling websites, platforms, or mobile applications or

		companies that provide products or support services fundamental to gambling operations.

Product: Ethical Emerging Market Value and Ansvarlige Value Aktier

Category	Exclusion criteria	Details
Climate	Companies in which more than 5 pct. of capital expenditures (CapEx) is used to expand production of oil and gas in contravention of the IEA's Net Zero Emissions scenario*	Companies involved in the exploration, extraction or production of fossil fuels include companies operating in the upper part of the value chain of coal, oil and natural gas (upstream), including certain service providers. It also includes infrastructure used only for fossil fuels (midstream). Companies also include parent companies in which the activity in question is undertaken by a subsidiary. The GOGEL IEA Net Zero Emission Expansion Overshoot metric includes all oil & gas resources, which were approved for development after December 31, 2021 or are currently in the process of being approved (field evaluation).
	Companies that derive 1 pct. or more of their revenues from exploration, mining, extraction, distribution, or refining of hard coal and lignite.	Screening includes thermal coal. The exclusion criterion complies with Article 12(1)(d) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive a combined total of 5 pct. or more of their revenues from: i. Exploration, extraction, manufacturing, services, distribution, or refining of oil fuels and gaseous fuels. ii. Exploration, mining, extraction, services, distribution, or refining of hard coal and lignite. iii. Mining of uranium.	Screening includes conventional and unconventional oil and gas, thermal coal and uranium. The exclusion criterion complies with Article 12(1)(e-f) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 25 pct. or more of their revenues from the retail of oil fuels and gaseous fuels.	Screening of oil fuels includes gasoline, crude and petroleum products etc. Screening of gaseous fuels includes liquefied petroleum gas (bottled gas) etc.

	Companies that derive 5 pct. or more of their revenues from: i. Electricity generation, based on fossil fuels (greenhouse gas intensity of more than 100g CO2 e/kWh) ii. electricity generation, based on uranium.	Fossil fuels include thermal coal, liquid fuel and natural gas. The average intensity for fossil fuel-based power generation is well above 100 g CO2e/kWh and hence fossil fuel-based power generation is used as a proxy for power generation with emissions over 100 g CO2e/kWh. The exclusion criterion complies with Article 12(1)(g) of Commission Delegated Regulation (EU) 2020/1818. Electricity generation based on uranium includes nuclear energy based power generation.
International Norms	Companies assessed by the investment manager to be, or potentially to be, in violation of international norms including but not limited to the UNGC principles and the OECD Guidelines for Multinational Enterprises.	Case specific exclusions. See section 3. International norms.
	Companies assessed by the investment manager's data provider to be in violation of the UNGC principles or the OECD guidelines for Multinational Enterprises.	In violation means that the company is directly involved in one or more very severe unresolved controversies in areas covered by the UNGC principles or the OECD guidelines for Multinational Enterprises. The exclusion criterion complies with Article 12(1)(c) of Commission Delegated Regulation (EU) 2020/1818.
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		*Does not include white phosphorus munitions used for smoke screens, tracers or similar. Nuclear weapons includes companies supporting the nuclear weapon program of a state that is a not a signatory to the Non Proliferation Treaty. The exclusion criterion complies with Article 12(1)(a) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 5 pct. or more of their revenues from production or distribution of conventional weapons or firearms.	Conventional weapons include conventional military weapons and nuclear weapons other than those covered under the section on controversial weapons. Firearms include handguns, rifles, ammunition etc. intended for civilian use.
Tobacco	Companies involved in the cultivation and production of tobacco	Involvement includes the growing and processing of raw tobacco leaves and production of tobacco products. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products. Case specific exclusions may also involve companies with ownership of companies involved in cultivation and production of tobacco. The exclusion criterion complies with Article 12(1)(b) of Commission Delegated Regulation (EU) 2020/1818.
	Companies that derive 5 pct. or more of their revenues from the distribution or retail of tobacco products.	Screening includes distribution or retail of tobacco products, companies acting as a licensor of brand names for tobacco products, or as a supplier for tobacco products.
Alcohol	Companies that derive 5 pct. or more of their revenues from the production, distribution, and sale of alcohol.	Screening includes production, distribution and retail of alcoholic products,
Pornography	Companies that derive 5 pct. or more of their revenues from the production or distribution of pornography.	Screening includes production, distribution and retail of pornographic products or services.

Gambling	Companies that derive 5 pct. of more of their revenues from the provision of gambling.	Screening includes companies that own or operate gambling facilities, online gambling websites, platforms, or mobile applications or companies that provide products or support services fundamental to gambling operations.

2 GOOD GOVERNANCE PRACTICES

Good governance practices, defined by Regulation [EU] 2019/2088 Article 2 (17), involves sound management structures, employee relations, remuneration of staff and tax compliance.

The approach to assess good governance practices of investee companies is based on a good governance test. Failure of the good governance test will lead to exclusion of the investee company for all investment products, managed according to "Sustainable Investment Policy", in accordance with Regulation [EU] 2019/2088 Article 8(1) and article 9.

Good Governance test
The test for good governance practices involves five parameters, including management structures, governance structures, employee relations, remuneration of staff and tax compliance. Each parameter is supported by three to seven underlying indicators, which the investment manager has deemed relevant to assess an investee company's adherence to the respective parameter, based on their materiality to the overarching parameters as well as data availability.

Test criteria

I. Each company must pass all 5 parameters (Management structures, governance structures, employee relations, employee remuneration, tax compliance)

II. To pass a parameter, the company must pass more than half of the underlying indicators of the relevant parameter (each parameter has 3-7 underlying indicators)

Evaluation of performance on parameters:

"Very bad"	Pass zero indicators
"Bad"	Pass half or less of the indicators
"Good"	Pass more than half of the indicators
"Very good"	Pass all indicators

A performance of "Very bad" or "Bad" will lead to a failure of the parameter and thus failure of the good

Parameter	Indicator	Minimum criteria
Management structures	Board composition	The company has at least one independent board member.
	Board diversity	The company has at least two genders represented on the board.
	Independent audit committee	At least 50 pct. of the audit committee members are independent*
Governance structures	Corruption	The company has an anti-corruption and anti-bribery policy.
	Ethical standards	Employee training on ethical standards.
	Business ethics practices	The company is not involved in serious controversies regarding business ethics practices.

Employee relations	Child Labour Flag	The company is not involved in serious controversies related to child labour.
	Collective Bargaining & Union Flag	The company is not involved in serious controversies related to union relations practices.
	Discrimination & Workforce Diversity Flag	The company is not involved in serious controversies related to workforce diversity.
	Employee Health & Safety Flag	The company is not involved in serious controversies related to the safety of employees.
	Labour Management Relations Flag	The company is not involved in serious controversies related to labour-management relations.
	Supply Chain Labour Standards Flag	The company is not involved in serious controversies related to supply chain.
	Whistleblower protection policy	The company has a whistleblower protection policy.
Remuneration of staff	Pay transparency	The company has disclosed information about its management members' remuneration.
	Equal pay	The company does not report extreme wage differences across genders.
	Controversies on pay	The company is not involved in serious controversies related to pay policies or practices.
Tax compliance	Audit	External audit of the annual report.
	Tax behaviour	The company is not involved in serious tax-related controversies.
	Accounting Investigations	The company has not come under investigation, or been subject to fine, settlement or conviction for issues related to its accounting practices for the past two years.

*Japan's Companies Act entails three types of board structures for which one does not have a traditional audit committee. Given the underlying data point does not correct for this difference in board structures in the evaluation of audit independence, the threshold for Japanese companies is set to 10 pct., to mitigate the structural bias against Japanese companies.

3 . INTERNATIONAL NORMS

The investment manager 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.

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.

Enhanced 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.

4 DEFINITION OF SUSTAINABLE INVESTMENTS

The Investment Manager has developed a methodology for identifying investments that qualify as sustainable investments. The methodology is based on the criteria of what constitutes a sustainable investment, defined by SFDR Article 2 (17).

The methodology identifies investments that are sustainable based on an entity based approach, rather than activity based approach. Investments are identified as "sustainable" or "not sustainable".

To qualify as a sustainable investment, an investment has to meet the following criteria:

1. **Contribution to a sustainable objective:** By contributing to an environmental or social objective;
2. **Do no significant harm:** By not causing significant harm to any environmental or social objective, taking into account principal adverse impacts based on principal adverse impact (PAI) indicators, and adhering to minimum safeguards, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights;
3. **Follow good governance practices:** By demonstrating good governance practices.

Details of each criterion are provided in the following sections.

Custom criteria are applied for certain types of instruments.
Details provided in the section "Custom sustainable investment criteria".

4.1 Sustainable contribution

An investment contributes to a sustainable objective, if it meets one of the following criteria:

I. >= 2 SDG product or operational alignment score for any of the 17 Sustainable Development Goals.
II. >= 20 pct. revenue from "Sustainable impact" products or services.
III. >= 20 pct. revenue from taxonomy aligned products or services.
IV. >= 50 pct. CapEx from taxonomy aligned activities.

4.1.1 SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) represent a global framework developed by United Nations (UN). The SDGs have been developed in 2015 and span 17 environmental and social goals to be reached by 2030.

SDGs:

- Goal 1: No Poverty (S)
- Goal 2: Zero Hunger (S)
- Goal 3: Good Health and Well-being (S)
- Goal 4: Quality Education (S)
- Goal 5: Gender Equality (S)
- Goal 6: Clean Water and Sanitation (E)
- Goal 7: Affordable and Clean Energy (E)
- Goal 8: Decent Work and Economic Growth (S)
- Goal 9: Industry, Innovation and Infrastructure (E)
- Goal 10: Reduced Inequalities (S)
- Goal 11: Sustainable Cities and Communities (E)
- Goal 12: Responsible Consumption and Production (E)
- Goal 13: Climate Action (E)
- Goal 14: Life Below Water (E)
- Goal 15: Life On Land (E)

- Goal 16: Peace, Justice and Strong Institutions (S)
- Goal 17: Partnerships for the Goals (S)

The investment manager has categorized each SDG as environmental (E) or social (S), based on the underlying factors of each SDG, as required by SFDR product disclosures.

Alignment with SDGs is assessed using the MSCI SDG Alignment Methodology, which determines scores on the alignment of the company's (1) products and services and (2) operations for each of the 17 SDGs.

SDG alignment score - Products and services
The product alignment score is calculated, for each SDG, as the sum of a company's positive product alignment score and negative product alignment score. The positive and negative alignment, are based on estimated revenues ranging from 0 to 100 pct. which corresponds to positive product alignment scores from 0 to 10, and negative product alignment scores from 0 to -10. The product alignment score ranges from -10 to 10. Se table 1.

To meet the criteria for sustainable contribution the company must have a product alignment score of at least 2 for any of the 17 SDGs.

An example of positive product alignment with SDG 7 could be a utility plant that generates revenue from power generation based on renewable energy e.g. wind power. An example of negative product alignment with SDG 7 could be a utility plant that generates revenue from fossil fuel based power generation e.g. coal.

	Revenue intervals	Score
Positive product alignment	>50 pct.	10
Positive product alignment	25 – 50 pct.	7
Positive product alignment	10- 25 pct.	5
Positive product alignment	5 – 10 pct.	3
Positive product alignment	0 – 5 pct.	1
Negative product alignment	0 – 5 pct.	-1
Negative product alignment	5 – 10 pct.	-3
Negative product alignment	10- 25 pct.	-5
Negative product alignment	25 – 50 pct.	-7
Negative product alignment	>50 pct.	-10
Product alignment score		-10 to 10

SDG alignment scores – Operations

The operational alignment score is calculated, for each SDG, as the sum of a company's positive operational alignment score, negative operational alignment score and performance score. The positive operational alignment is based on an assessment of a company's policies, practices and targets that may align their operations with a specific SDG. The negative operational alignment is based on an assessment of a company's involvement in operations with adverse impacts and the severity and frequency of controversies. The performance score is based on various performance metrics. The operational alignment score ranges from -10 to 10. See table 2.

To meet the criteria for sustainable contribution the company must have an operational alignment score of at least 2 for any of the 17 SDGs.

An example of positive operational alignment with SDG 7 could be a utility plant that use energy from renewable energy sources and has a carbon reduction target. An example of negative operational alignment could be a utility plant that has fossil fuel reserves and is flagged for controversies related to energy and climate change. An example of a performance score that is positively aligned with SDG 7 could be a utility plant that has a declining energy consumption intensity.

	Impact	Score
Positive product alignment	Aligned policies	1
Positive product alignment	Aligned practices	1
Positive product alignment	Aligned targets	1
Positive product alignment	Adverse impact operations	-1
Positive product alignment	≥ 1 red flag	-10
Negative product alignment	≥ 3 orange flags	-7
Negative product alignment	≥ 7 yellow flags	-7
Negative product alignment	1 or 2 orange flags	-5
Negative product alignment	5 or 6 yellow flags	-5
Negative product alignment	3 or 4 yellow flags	-3
Negative product alignment	1 or 2 yellow flags	-1
Performance score	Improving trend	2
Performance score	Stable trend	0
Performance score	Worsening trend	-2
Operational alignment score		-10 to 10

For more information on the methodology: MSCI SDG Alignment Methodology

4.1.2 SUSTAINABLE IMPACT

The sustainable impact criterion is based on MSCI Sustainable Impact Metrics framework.

The framework identifies companies that derive revenue from products and services with positive impact on the environment or society. The revenues are mapped to those SDGs where the products and services have a positive impact.

To meet the criteria for sustainable contribution, the company must have at least 20 pct. revenue from sustainable impact products or services.

An example of revenue with positive impact on SDG 13 could be a company that produces solar panels.

For more information: ESG Sustainable Impact Metrics - MSCI

4.1.3 TAXONOMY

The EU taxonomy is a classification system of environmentally sustainable economic activities following the EU Taxonomy Regulation.

For an activity to be an environmentally sustainable economic activity i.e. taxonomy aligned, it must fulfil the following criteria:

I. Contribute substantially to one of the following environmental objectives;
   - Climate change mitigation
   - Climate change adaptation
   - Sustainable use and protection of water and marine resources
   - Transition to a circular economy
   - Pollution prevention and control
   - Protection and restoration of biodiversity and ecosystems

II. Do no significant harm to any of the six environmental objectives;

III. Adhere to minimum safeguards.

According to the EU Taxonomy Regulation, a taxonomy aligned activity can be based on a company's revenue, capital expenditures (CapEx), or operating expenditures (OpEx).

For an investee company to contribute to sustainable objective, according to the investment managers definition of sustainable investments, the investee company must have at least 20 percent of the investee company's revenue or at least 50 percent of the investee company's capital expenditures aligned with activities in accordance with the EU taxonomy Regulation.

An example of a revenue-related contribution to environmental objective 1 could be a company that sells renewable energy, given the activity complies with the technical screening criteria and minimum safeguards of the EU Taxonomy Regulation. An example of a capital expenditure-related contribution could be a company allocating capital to the installation of renewable energy in their production facilities, given the activity complies with the technical screening criteria and minimum safeguards of the EU taxonomy Regulation.

The measure of revenue aligned with the EU taxonomy is based on reported and estimated data. Reported is always preferred above estimated. For capital expenditures aligned with the EU taxonomy only reported data is used.

For more information: MSCI EU Taxonomy

4.2 Do no significant harm

For an investment not to cause significant harm, it must pass the following criteria:

I. DNSH criteria

II. Principal adverse impacts

III. Minimum safeguards

4.2.1 DNSH CRITERIA

The table below provides an overview of the DNSH criteria that applies for investments to qualify as sustainable.

Objective	Threshold for significant harm
Climate	Companies that derive 1 pct. or more of their revenues from exploration, mining, extraction, distribution, or refining of hard coal and lignite. Companies that derive a combined total of 5 pct. or more of their revenues from*: Exploration, extraction, manufacturing, distribution, refining, or sale of oil fuels and gaseous fuels. Exploration, mining, extraction, distribution, or refining of hard coal and lignite. Manufacturing of petrochemicals. Production of electricity based on fossil fuels (greenhouse gas intensity of more than 100 g CO2 e/kWh)
International norms	Companies assessed by the investment manager to be, or potentially to be, in violation of international norms including but not limited to the UNGC principles and the OECD Guidelines for Multinational Enterprises. Companies assessed by the investment manager's data provider to be in violation of the UNGC principles or the OECD Guidelines for Multinational Enterprises. Companies that are lacking processes for monitoring compliance with and are watch listed by the investment manager's data provider for potentially violating, UNGC principles and OECD guidelines for Multinational Enterprises.
Weapons	Companies involved in any activities related to controversial weapons. Companies that derive 5 pct. or more of their revenues from production or distribution of conventional weapons or firearms.
Tobacco	Companies involved in the cultivation and production of tobacco. Companies that derive 5 pct. or more of their revenues from the distribution or retail of tobacco products.
Alcohol	Companies that derive 5 pct. or more of their revenues from the production, distribution, and sale of alcohol.
Pornography	Companies that derive 5 pct. or more of their revenues from the production or distribution of pornography.
Gambling	Companies that derive 5 pct. or more of their revenues from the provision of gambling.
Diversity	Companies with more than 50 pct. wage gap in favor of one gender. Companies that do not have at least two gender identities represented on the board.
Negative SDG impact	Companies with a negative product or operational alignment score of -5 or lower on one or more of the 17 SDGs.

Exemption rule for sustainable investments

Climate*

Companies may be exempt from the criteria for "Climate" and "Negative SDG impact", specifically SDG 7 (Operational and product), SDG 13 (Operational and product) and SDG 12 (Product) if they comply with the following:

I. PAB exclusions according to Article 12(1)(a-g) of Commission Delegated Regulation (EU) 2020/1818
II. At least 90% on average of the company's energy-related capital investments (CapEx) in new capacity for three consecutive years, including the most recent fiscal year, is made in the renewable energy sector
III. Revenue from renewable energy constitutes at least 50% of the company's total revenue. The share is calculated as an average over one, two, or three of the most recent fiscal years.
IV. The company has no revenue from tar sands, shale oil or gas, or other forms of fracking activities and/or extraction of oil shale and/or Arctic drilling.

The use of exemptions is always considered on a case-by-case basis reflecting the specific circumstances of the issuers. Exempted issuers are subject to approval of the Sustainable Investment Committee.

SDG negative impact

Product and services

The negative products alignment score is based on an assessment of a company's revenue that has negative impact on the specific SDG. The product alignment score ranges from -10 to 10. Se table 1.

	Revenue intervals	Score
Negative product alignment	0 – 5 pct.	-1
Negative product alignment	5 – 10 pct.	-3
Negative product alignment	10- 25 pct.	-5
Negative product alignment	25 – 50 pct.	-7
Negative product alignment	>50 pct.	-10
Negative product alignment score		0 to -10

Operational

The negative operational impact is based on an assessment of a company's involvement in operations with adverse impacts and the severity and frequency of controversies (MSCI's controversy methodology, flags). The adverse impacts and controversies that impact the score are based on the relevance for each of the 17 SDGs. The negative operational alignment score ranges from 0 to -10.

	Revenue intervals	Score
Negative product alignment	Adverse impact operations	-1
Negative product alignment	≥ 1 red flag	-10
Negative product alignment	≥ 3 orange flags	-7
Negative product alignment	≥ 7 yellow flags	-7

Negative product alignment	1 or 2 orange flags	-5
Negative product alignment	5 or 6 yellow flags	-5
Negative product alignment	3 or 4 yellow flags	-3
Negative product alignment	1 or 2 yellow flags	-1
Negative product alignment score		0 to -10

4.2.2 PRINCIPAL ADVERSE IMPACTS

The table below provides an overview of the Principal Adverse Impact (PAI) indicators and how they are taken into account.

Taken into account means that there is a relevant exclusion criterion for each of the PAI indicators. The exclusion criterion specifies a specific threshold, that determines when an investment causes significant harm on that specific PAI-indicator. If an investment does not comply with one or more of the thresholds specified in the table below, the investment will not qualify as sustainable.

For some PAI-indicators specific SDGs are used as exclusion criteria. The table below provides descriptions of the negative impacts from the SDGs that the investment manager has deemed relevant to assess whether a company causes significant harm on the specific SDG. The negative impact can come from the company's products and services or operations.

PAI indicator	Threshold for significant harm
Greenhouse gas emissions	
1. GHG emissions	• **Companies with a negative product or operational alignment score of -5 or lower for SDG 13.** Description of the negative impact from relevant SDGs: *SDG 13 Climate Action* Products and services: o Revenue from electric power generation from fossil fuels; Oil & gas exploration and production or coal mining; fossil fuel turbines. Operations: o Ownership of fossil fuel reserves. o More than 20 pct. of operations are in business activities that are typically carbon-intensive. o Controversies related to energy and climate change.
2. Carbon footprint	• **Companies with a negative product or operational alignment score of -5 or lower for SDG 13.** Description of the negative impact from relevant SDGs: *SDG 13 Climate Action* Products and services:

	○ Revenue from electric power generation from fossil fuels; Oil & gas exploration and production or coal mining; fossil fuel turbines. Operations: ○ Ownership of fossil fuel reserves. ○ More than 20 pct. of operations are in business activities that are typically carbon-intensive. ○ Controversies related to energy and climate change.
3. GHG intensity of investee companies	• **Companies with a negative product or operational alignment score of -5 or lower for SDG 13.** Description of the negative impact from relevant SDGs: *SDG 13 Climate Action* Products and services: ○ Revenue from electric power generation from fossil fuels; Oil & gas exploration and production or coal mining; fossil fuel turbines. Operations: ○ Ownership of fossil fuel reserves. ○ More than 20 pct. of operations are in business activities that are typically carbon-intensive. ○ Controversies related to energy and climate change.
4. Exposure to companies active in the fossil fuel sector	• **DNSH criteria for the objective "Climate"** Described in section 2.2 Do no significant harm. • **Companies with a negative product or operational alignment score of -5 or lower for SDG 7.** Description of the negative impact from relevant SDGs: *SDG 7 Affordable and Clean Energy:* Products and services: ○ Revenue from electric power generation from fossil fuels; oil & gas exploration and production or coal mining; fossil fuel turbines. Operations: ○ Ownership of fossil fuel reserves. ○ More than 20 pct. of operations are in business activities that are typically carbon-intensive. ○ Controversies related to energy and climate change.
5. Share of non-renewable energy consumption and production	• **DNSH criteria for the objective "Climate"** Described in section 2.2 Do no significant harm. • **Companies with a negative product or operational alignment score of -5 or lower for SDG 7.** Description of the negative impact from relevant SDGs:

	SDG 7 Affordable and Clean Energy: Products and services: o Revenue from electric power generation from fossil fuels; oil & gas exploration and production or coal mining; fossil fuel turbines. Operations: o Ownership of fossil fuel reserves. o More than 20 pct. of operations are in business activities that are typically carbon-intensive. o Controversies related to energy and climate change.
6. Energy consumption intensity per high impact climate sector	• **Companies with a negative product or operational alignment score of -5 or lower for SDG 7.** Description of the negative impact from relevant SDGs: *SDG 7 Affordable and Clean Energy:* Products and services: o Revenue from electric power generation from fossil fuels; oil & gas exploration and production or coal mining; fossil fuel turbines. Operations: o Ownership of fossil fuel reserves. o More than 20 pct. of operations are in business activities that are typically carbon-intensive. o Controversies related to energy and climate change.
Biodiversity	
7. Activities negatively affecting biodiversity-sensitive areas	• **Companies with a negative product or operational alignment score of -5 or lower for SDG 14 or 15.** Description of the negative impact from relevant SDGs: *SDG 14 Life Below Water:* Products and services: o Revenue from plastic materials. Operational: o More than 20 pct. revenue from offshore drilling; fishing and aquaculture; business activities typically associated with high levels of packaging waste; marine transport, including cruises and freight transport. o Controversies related to marine biodiversity; oil spills; water stress; operational waste; packaging material and waste; pesticides or persistent organic pollutants. *SDG 15 Life on Land:* Operations: o More than 20 pct. of operations are in are in business activities that typically produce high levels of toxic emissions and waste (e.g., mining); business activities that typically cause land and ecosystem disturbance (e.g., timber production, agriculture, oil sands).

	○ Controversies related to electronic waste; packaging material and waste; toxic releases to air, land or water, including oil spills, pesticides, persistent organic pollutants and operational waste; biodiversity issues including land use, logging and endangered species; environmental issues with supply chains.
Water	
8. Emissions to water	• **Companies with a negative product or operational alignment score of -5 or lower for SDG 14 or 15.** Description of the negative impact from relevant SDGs: *SDG 14 Life Below Water:* Products and services: ○ Sale of plastic materials. Operations: ○ More than 20 pct. revenue from offshore drilling; fishing and aquaculture; business activities typically associated with high levels of packaging waste; marine transport, including cruises and freight transport. ○ Controversies related to marine biodiversity; oil spills; water stress; operational waste; packaging material and waste; pesticides or persistent organic pollutants. *SDG 15 Life on Land:* Operations: ○ More than 20 pct. of operations are in are in business activities that typically produce high levels of toxic emissions and waste (e.g., mining); business activities that typically cause land and ecosystem disturbance (e.g., timber production, agriculture, oil sands). ○ Controversies related to electronic waste; packaging material and waste; toxic releases to air, land or water, including oil spills, pesticides, persistent organic pollutants and operational waste; biodiversity issues including land use, logging and endangered species; environmental issues with supply chains.
Waste	
9. Hazardous waste and radioactive waste ratio	• **Companies with a negative operational alignment score of -5 or lower for SDG 12.** Description of the negative impact from relevant SDGs: *SDG 12 Responsible Consumption and Production* Operations: ○ Ownership of fossil-fuel reserves. ○ More than 20 pct. of operations are in carbon-intensive activities. ○ More than 20 pct. of revenue is from products typically associated with high packaging waste; or from businesses that are typically reliant on high-concern chemicals.

	○ Controversies related to toxic releases to air, land or water, including oil spills, pesticides, persistent organic pollutants and operational waste; biodiversity issues including land use, logging and endangered species; water stress or impacts on marine biodiversity; environmental issues with supply chains, packaging material and waste; energy and climate change.
Social and employee matters	
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	• **DNSH criteria for the objective "International norms"** Described in section 2.2 Do no significant harm. Specifically: ○ Companies assessed by the investment manager to be, or potentially to be, in violation of international norms including but not limited to the UNGC principles and the OECD Guidelines for Multinational Enterprises. ○ Companies assessed by the investment manager's data provider to be in violation of the UNGC principles or the OECD Guidelines for Multinational Enterprises.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	• **DNSH criteria for the objective "International norms"** Described in section 2.2 Do no significant harm. Specifically: ○ Companies that are lacking processes for monitoring compliance with and are watch listed by the investment manager's data provider for potentially violating, UNGC principles and OECD guidelines for Multinational Enterprises.
12. Unadjusted gender pay gap	• **DNSH criteria for the objective "Diversity"** Described in section 2.2 Do no significant harm. Specifically: ○ Companies with more than a 50 percent. wage gap in favor of one gender.
13. Board gender diversity	• **DNSH criteria for the objective "Diversity"** Described in section 2.2 Do no significant harm. Specifically: ○ Companies that do not have at least two gender identities represented on the board.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	• **DNSH criteria for the objective "Weapons"** Described in section 2.2 Do no significant harm. Specifically: ○ Companies involved in any activities related to controversial weapons.

4.2.3 MINIMUM SAFEGUARDS

For an investment to qualify as sustainable, it must adhere to minimum safeguards, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Adherence is assessed by the investment manager and the investment managers data provider. Companies that are assessed to be, or potentially to be, in violation of the UNGC principles or the OECD Guidelines for Multinational Enterprises will not qualify as sustainable.

4.3 Good governance practices

A sustainable investment must follow good governance practices.

Good governance practices, defined by the EU Sustainable Finance Disclosure Regulation [EU] 2019/2088 [SFDR] article 2 (17), involves sound management structures, employee relations, remuneration of staff and tax compliance.

The test for good governance practices involves five parameters of good governance, including management structures, governance structures, employee relations, remuneration of staff and tax compliance. Each parameter is supported by three to seven underlying indicators, which the investment manager has deemed relevant, based on their materiality to the overarching parameters and data availability, to assess an investee company's adherence to the respective parameter.

For more information see section 2. Good Governance.

4.4 Custom sustainable investment criteria

Custom criteria apply to specific types of instruments to assess whether the investments qualify as sustainable.

4.4.1 Covered bonds

Sustainable contribution
For covered bonds contributing to social housing, the calculation is based on the share of social impact mortgage loans, as reported in the European Covered Bond Council (ECBC) templates.
For bonds contributing to energy-efficient housing, the calculation is based on the share of reported Energy Performance Certificate (EPC) A or B, as reported in the European Covered Bond Council (ECBC) templates.

Do no significant harm
The issuer is screened for compliance with the criteria described in section 4.2 Do no significant harm.

Good governance practices
The issuer is screened for compliance with the criteria described in section 4.3 Good governance practices.

4.4.2 Green bonds

Sustainable contribution
Green bonds are assessed by MSCI on four criteria, which are the core components of the Green Bond Principles by ICMA: Use of proceeds, the process for project evaluation and selection, the process for management of proceeds, and the commitment to ongoing reporting.

The use of proceeds is evaluated on three criteria:

- 100 pct. of the proceeds must be allocated to projects with a positive benefit.
- At least 90% of the proceeds must be allocated towards at least one project category as defined by MSCI.

- No proceeds must be allocated towards categories deemed ineligible. This includes manufacturing of controversial weapons, thermal coal extraction or coal-based energy generation, and cultivation of tobacco or manufacturing of tobacco-based products.

Regarding the process for project evaluation and selection, the issuer is required to clearly communicate the environmental objectives of the project, the specific criteria and the process for determining how the projects fit into a project category, and the processes the issuer use to identify and manage perceived social and environmental risks associated with the projects. The issuer must clearly credit the management of the proceeds to sub-portfolios or sub-accounts to be tracked in an appropriate manner and may either be managed on a bond by bond approach or on an aggregated basis in a portfolio for multiple green bonds. The issuers are also required to release an annual report with information on the use of proceeds until full allocation. This report should include either a list of all projects, as well as a description of the projects, the amounts allocated, and their expected impact, or a list of aggregate project categories, including the amount disbursed to each project type. MSCI requires an annual report at least 12 months after issuance of the green bond. If the issuer has still not released an annual report 6 months after the due date, the green bond is no longer considered to meet the green bond criteria by MSCI due to lack of transparency.

The Investment Management teams will perform a due diligence of potential investments from a report of all assessed project's use of proceeds. This is to ensure that potential investments comply with ICMA's Green Bond Principles.

Do no significant harm

The issuer is screened for compliance with the criteria described in section 4.2 Do no significant harm.

Good governance practices

The issuer is screened for compliance with the criteria described in section 4.3 Good governance practices.

5 EU TAXONOMY ALIGNMENT

Alignment with the EU taxonomy (EU classification system) is measured for listed equities, corporate bonds and covered bonds.

Listed equities and corporate bonds

The calculation of proportion of sustainable investments aligned with the EU taxonomy is based on reported and estimated data. Estimates of alignment are conducted by the data provider MSCI ESG Research. Estimated data is used because, at present, there is only reported data available for environmental objectives 1 and 2 of the EU taxonomy. Estimates of alignment cover all six objectives of the EU taxonomy.

Estimated data is subject to uncertainties due to low data quality and coverage on the factors used for the assessment of whether activities of the investee companies are aligned with the EU taxonomy. Therefore, estimated data may significantly deviate from actual, reported data.

As a result, it is currently difficult to state higher, meaningful minimum proportions for the individual products managed according to the Policy for Sustainable Investing. However, it is expected that some products can achieve higher proportions of investments aligned with the EU taxonomy in the periodic reporting. As the data coverage improves, it is expected to be reflected in higher minimum proportions and increased use of reported data.

The compliance of investments with the requirements of Article 3 of Regulation (EU) 2020/852 will not be subject to an audit assurance or a review by a third party.

Covered bonds

The calculation of the proportion of covered bonds aligned with the EU taxonomy is based on estimates. Calculation of the contribution to the objective "Climate change mitigation" is based on the share of the cover pool with reported Energy Performance Certificate (EPC) ranking of A, as reported in the ECBC templates. Compliance with do no significant harm is based on an assessment of physical climate risk at issuer level. The issuer is screened for compliance with minimum safeguards, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The compliance of investments with the requirements of Article 3 of Regulation (EU) 2020/852 will not be subject to an audit assurance or a review by a third party.

6 DATA SOURCES AND PROCESSING

6.1 Data sources

The investment manager source data from the following data providers:

- MSCI ESG Research
- Sustainalytics
- Urgewald
- ISS
- Bloomberg
- LSEG

The primary data provider is MSCI ESG Research. The other data providers, mentioned above, are used as supplements for specific exclusion criteria.

For covered bonds, data is also gathered from ECBC templates from the individual issuers of covered bonds.

The investment manager can also receive information directly from investee companies, public sources such as authorities, international organisations, nonprofit organisations and the media.

6.1.1 Data quality

The investment manager performs systematic and ad hoc controls of data from data providers.

The investment manager performs systematic checks of data received from data providers. The check involves conducting randomized controls at certain intervals.

During the investment process, ad hoc controls may also be conducted if data discrepancies appear between data received from the data provider and data received elsewhere for specific companies. If discrepancies are identified, the investment manager will perform an investigation of the reason for the discrepancy, and if necessary correct data inhouse and inform the data provider.

7 CHANGE LOG

The methodology document is reviewed on a regular basis. The investment manager may revise the approaches described in this document on a regular basis to take account of new regulatory requirements and industry developments that deem appropriate.

Version	Published date	Changes
0	Prior	Original document.
1	Oct-24	Enhancements of the definition of Good Governance.
2	Jan-25	Enhancements of methodology on sustainable green bonds
3	May-25	Enhancements to the definition of sustainable investments, including changes to contribution, DNSH and good governance.