

PRINCIPAL ADVERSE IMPACT STATEMENT

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

30 June 2024

Sparinvest

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DESCRIPTION OF PRINCIPAL ADVERSE IMPACT

Sparinvest incorporates information regarding principal adverse impacts in its investment processes. Adverse impacts are considered as part of both investment decisions and our active ownership, with the purpose of mitigating adverse impacts and preserving long-term value creation. This is described across the investment process in Sparinvest's Sustainable Investment Policy and in this document, which serves as Sparinvest's Principal Adverse Impact Statement and Principal Adverse Impact reporting at market participant level.

1. Description of policies for identification and prioritisation of principal adverse impacts (PAI)

PAI are considered in investment decisions and active ownership based on a materiality and sustainability perspective and are considered in relation to the type of investment and asset class.

Such information is to the widest extent possible included in the evaluation of companies, and we seek to mitigate adverse impacts through:

1. Active ownership
2. Exclusions

The principles guiding this work are described in greater detail in our Sustainable Investment Policy and in this report. Our working procedures for adverse impacts are also described in the appendix to the prospectuses of the individual investment products, which is available at all times on our website [here](#).

The results of this work are also described in the appendix to the annual report in the form of "Frequent sustainability reporting", which is also available on Sparinvest's website [here](#).

In 2023, Sparinvest focused in particular on managing companies' adverse climate impacts. Another priority has been to mitigate adverse impacts of companies that act in breach of the OECD Guidelines for Multinational Enterprises or the UN Global Compact.

A third priority has been to impact investee companies through our voting at general meetings, where, for example, the theme "Excessive CEO pay ratio" has been on the agenda at more than 2,000 meetings at which Sparinvest has been represented. At more than one in four general meetings, Sparinvest voted against the recommendations of the board of directors. The prioritisation is reflected in the parts of the investment process where we as investment manager have the highest possible impact through screening procedures, active ownership and exclusions.

Sparinvest employs a number of sustainability indicators for exclusions and monitoring of investment processes. These include, as a minimum:

- Compliance with international guidelines and norms: The Ten Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the associated UN Principles on Human Rights.
- Exclusion of manufacturers of controversial weapons covered by conventions: cluster weapons, landmines, biological weapons, chemical weapons, ammunition with enriched uranium and nuclear weapons in violation of the Treaty on the Non-Proliferation of Nuclear Weapons.
- Measurement of carbon emissions: carbon footprint per DKK 1 million invested, emission intensity and weighted average carbon intensity (WACI).
- Exposure to fossil fuels.
- Board gender diversity.

2. Description of PAI and planned or already executed initiatives in relation to PAI

Through sector exclusions as well as participation in initiatives, Sparinvest has launched a number of initiatives to manage principal adverse impacts. Sparinvest has a long-standing track record of integrating sustainability and has been a signatory to the UN Principles for Responsible Investment (UN PRI) since 2009. Sparinvest has committed to a series of actions under the auspices of the Net Zero Asset Managers initiative (NZAMI), including setting a climate target to ensure that investment portfolios are aligned with the transition needed to achieve the goals of the Paris Climate Agreement. In 2021, Sparinvest joined NZAMI and thus committed to ensuring that investments, measured by the aggregate assets under management, will be climate neutral by 2050. Later in the year, a target of reducing the emission intensity across asset classes by 60% from 2020 to 2030 was announced. For this reason, efforts to ensure the long-term decarbonisation of investments were further intensified through the following measures:

- Active ownership of high-emission companies
- More green investments
- Climate-related benchmarks
- Exclusion of companies with significant revenue exposure to fossil fuels and without a reliable, Paris-aligned transition plan.

During 2023, focus on the green transition was further sharpened by expanding Sparinvest's Sustainable Investment Policy with a new Fossil Fuels Policy. Prior to the implementation of this policy, Sparinvest had for several years, alongside multiple other investors, engaged with the oil, gas and coal companies in the investment portfolios to encourage them to work towards a more sustainable future. This has been part of the active ownership efforts. Our approach is based on the Paris Climate Agreement and recognised climate science, including data identifying companies that conflict with the Net Zero 2050 scenario of the IEA (International Energy Agency), which includes companies expanding and developing new oil and gas fields.

The latest data show that a large number of energy companies are involved in projects that are not in line with the IEA's 2050 scenario. In response, Sparinvest in 2023 excluded companies that expand their activities in contravention of the IEA's 2050 scenario. This means an expansion of the exclusion list by more than 400 companies operating in the oil, gas or coal industries.

3. Description of actions taken to address PAI

Sparinvest's products must at least comply with Sparinvest's policy for sustainable investments. Sparinvest's work with stewardship, including dialogue, voting and escalation, is an integral part of the Policy for Sustainable Investments.

Sparinvest exercises stewardship to manage PAIs and reduce any negative developments. This is primarily done through dialogue, engagement, voting and exclusion. Sparinvest's portfolio management team and Sustainable Investment team use their knowledge of the companies to manage significant negative sustainability impacts. This could mean influencing companies to reduce CO2 emissions, increase board diversity, ensure good working conditions and fight corruption.

In our engagements, we take into account our commitments to international standards, including the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. We regularly evaluate the progress of engagements with companies that break international standards. Progress must be assessed in accordance with Sparinvest's sustainable investment policy no later than two years after the commencement of the engagement. Based on this assessment, Sparinvest decides whether it is still realistic to get the company to change its behavior. If not, the company will be excluded in accordance with Sparinvest's policy for sustainable investments.

If a company is found to be in breach of Sparinvest's guidelines, Sparinvest will engage with the company, either on its own or with other investors through third-party providers – with a view to getting the company to change its practice.

Sparinvest votes on a range of topics, including wage policies, CO2 emissions, gender diversity, biodiversity, human rights, and anti-corruption. Through votes at general meetings, we try to influence companies to mitigate their sustainability risks and reduce negative impacts on society as far as possible, as well as support long-term, sustainable value creation. Sparinvest's voting activities can be found on our voting portal.

Sparinvest may also vote against the board of directors of a company to express our dissatisfaction with the company. In the event of a confirmed breach of the guidelines, and the company expresses no will to address the problem, Sparinvest will exclude the company. (Sparinvest Voting Dashboard)

The above activities are complemented by our exclusion criteria, which ensure that we do not invest in sectors and/or activities with particularly high ESG risks. For example, we exclude controversial weapons, serious norm violations, tobacco and fossil fuel producers with particularly problematic extraction across all our portfolios. In addition, we have expanded exclusion criteria for our sustainable funds.

Our approach to stewardship is further strengthened by internal management reporting on the PAI indicators. The status of the PAI indicators is reported quarterly to the management team of Nykredit Asset Management and the Forum for Sustainable Investments, which assess whether there is a need to initiate corrective actions.

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Financial market participant Sparinvest S.A., LEI: 549300SITTZLHSP3J21

Summary

Sparinvest, LEI: 52965FONQ5NZKPOWZL45, 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.

Sparinvest ensures that information about principal adverse impacts on sustainability factors is incorporated into the investment process. Adverse impacts are taken into consideration in the investment decisions and in connection with our active ownership with a view to mitigating adverse impacts and ensuring long-term value creation. The 14 compulsory indicators in terms of adverse sustainability impacts are taken into consideration 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 to the widest extent included in the evaluation of companies, and we seek to mitigate adverse impacts through active ownership and ultimately exclusion. The principles guiding this work are described in greater detail in our Sustainable Investment Policy and in this report.

In 2023, Sparinvest focused in particular on managing companies' adverse climate impacts. Another priority has been to mitigate adverse impacts of companies that act in breach of the OECD Guidelines for Multinational Enterprises or the UN Global Compact principles. A third priority has been to impact investee companies through our voting at general meetings, where, for example, the theme "Excessive CEO pay ratio" has been on the agenda at more than 2,000 meetings at which Sparinvest has been represented. At more than one in four general meetings, Sparinvest voted against the recommendations of the board of directors. The prioritisation is reflected in the parts of the investment process where we as investment manager have the greatest possible impact through screening procedures, active ownership and exclusions.

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 2024. Data in

the PAI statement from June 2023 are from 31 December 2022. More information about the methodologies used and our data management is available on our website.

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. At the same time, the optional indicators reflect how we prioritise the interests of our investors in the form of climate initiatives, respect for human rights and exercise of voting rights.

DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
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Climate and other environment-related indicators

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1,177,118 tonnes	930,724 tonnes	Sparinvest's total greenhouse gas emissions have increased this year compared with last year. At the same time, total assets under management increased by 30% from 2022 to 2023. Conversely, the	In the day-to-day work, indicators concerning greenhouse gas emissions are imbedded in Sparinvest's climate initiatives, including, for example, the target of becoming net zero by 2050 as well as the implementation of a Fossil Fuels Policy and related exclusions.
		Scope 2 GHG emissions	263,898 tonnes	180,968 tonnes		
		Scope 3 GHG emissions	7,121,497 tonnes	5,556,533 tonnes		
		Total GHG emissions	8,562,513 tonnes	6,668,225 tonnes		
	2. Carbon footprint	Carbon footprint	366 tonnes of CO ₂ e per	319 tonnes of CO ₂ e		

		EUR 1 million invested	per EUR 1 million invested	emission intensity decreased.	Investments are managed in accordance with the objective of lowering emissions so that the total assets under management will be climate neutral by 2050.
3. GHG intensity of investee companies	GHG intensity of investee companies	775 tonnes of CO ₂ e per EUR 1 million invested	822 tonnes of CO ₂ e per EUR 1 million invested	<p>The development in both absolute and relative emissions may fluctuate from year to year and does not necessarily indicate either lesser or greater harm. The figures may fluctuate due to changes in the calculation method and/or the size of assets under management.</p> <p>Furthermore, it is also crucial which part of the assets under management has increased the most relative to the previous reference period.</p> <p>Absolute statements include Scopes 1, 2 and 3.</p>	<p>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 considerations.</p> <p>Ultimately, companies that are not willing to transition may be excluded.</p> <p>The statements are based, among other things, on self-reported data from the underlying companies, data from mortgage bond issuers and data from MSCI ESG Research.</p> <p>During 2023, focus on the green transition was further sharpened by expanding Sparinvest's Sustainable Investment Policy with a new Fossil Fuels Policy. Prior to the implementation of this policy, Sparinvest had for several years, alongside multiple other investors, engaged with</p>

					the oil, gas and coal companies in the funds' investment portfolios to encourage them to work towards a more sustainable future. This has been part of the active ownership efforts. The initiatives build on the Paris Climate Agreement and are aligned with recognised climate science, including data identifying companies that act in conflict the Net Zero 2050 scenario of the IEA (International Energy Agency), which includes companies expanding and developing new oil and gas fields. This means an expansion of the exclusion list by more than 400 companies operating in the oil, gas or coal industries.
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	13%	9%	Data availability has increased significantly, and this has improved Sparinvest's information compared with last year. Seeing as the statement is made based on holdings over the year, the effect of Sparinvest's Fossil Fuels Policy and associated exclusions of companies with revenue from fossil energy	Sparinvest's efforts towards the green transition and reaching the climate target of neutrality by 2050 are based on the recommendations of the Net Zero Asset Managers initiative and the Institutional Investors Group on Climate Change. 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

					will not yet be apparent.	<p>value. The obvious example is companies involved in fossil fuels, which will be facing special risks, whereas other technologies within energy savings and renewables will have a greater potential.</p> <p>This potential and these risks are considered in the investment process. Against this backdrop, Sparinvest's approach to investing in fossil fuel companies was revised and tightened in 2022. Sparinvest uses the International Energy Agency's Net Zero 2050 scenario analysis to determine the expectations for transition of companies involved in fossil energy.</p> <p>In 2023, Sparinvest excluded companies that had more than 5% of their revenues from thermal coal and that did not have a transition plan. Sparinvest also excludes companies that derive more than 5% of their revenues from unconventional oil and gas and Arctic drilling.</p>
5.	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production	Energy consumption: 65%	Energy consumption: 67%	Energy production still has relatively low coverage, while energy consumption has	Sparinvest's approach to sustainability feeds directly into our active ownership programme. Sparinvest seeks to support our

		of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Energy production: 32%	Energy production: N/A	similar coverage compared with last year. Note that data on energy production were not available last year, and therefore it is not possible to make a historical comparison for this indicator.	investee companies in their transition towards a net zero emission economy.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	A ¹ : 0.37 B: 0.77 C: 0.60 D: 2.44 E: 0.54 F: 0.08 G: 1.09 H: 0.87 L: 0.33	A: 0.33 B: 9.4 C: 0.51 D: 04.4 E: 0.63 F: 0.06 G: 0.09 H: 1.2 L: 0.63	The key figure for mining and quarrying has dropped significantly due to a single position that previously contributed a large share of the total exposure. The other indicators have not changed substantially since last year.	
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	7.9%	0.6%	Sparinvest still views the loss of biodiversity as a key challenge for companies, their sub-suppliers and society. Among other things, Sparinvest's engagements aim to incentivise investee companies	In the day-to-day work, the indicator concerning biodiversity is imbedded in Sparinvest's sustainable investment team and the investment manager teams through Sparinvest's active ownership measures. Sparinvest engages with companies that act in breach of international

¹ 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

				<p>to set targets and improve their carbon footprint reporting. It is difficult to compare the statement of activities that negatively affect biodiversity-sensitive areas with last year's data, seeing as Sparinvest's data provider has drawn attention to the fact that the method of measuring this PAI indicator will be changed. The value of the key figure will in a number of instances increase considerably, as the data provider has expanded the criteria that determine when an issuer is deemed to have activities that negatively affect biodiversity-sensitive areas. Whereas the key figure previously measured whether the issuer has reported activities in a biodiversity-sensitive area as well as environmental controversies according to the</p>	<p>standards and may ultimately choose to exclude them. This may also include companies that do significant harm to biodiversity. In 2023, Sparinvest tightened our Sustainable Investment Policy with regard to biodiversity. In addition, Sparinvest has also engaged directly with companies in connection with biodiversity-related issues.</p>
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					data provider's monitoring of controversies, it has now been changed to include two additional criteria. One of the new criteria measures whether the company is exposed to local biodiversity impacts, including use/misuse of water and toxic emissions and use of land.	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.12 tonnes	6.1 tonnes	The data availability is low, which makes it difficult to compare data with last year's data.	In practice, the indicator concerning water is measured through Sparinvest's quarterly screening for breach of standards. Sparinvest seeks to the widest extent possible to engage with companies that act in breach of international standards, including companies that do significant harm to the environment.
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	0.62 tonnes	2.8 tonnes	Data availability remains low but has increased compared with last year. As data availability is low, fluctuations will be significantly affected by the increase in data availability.	In practice, the indicator concerning waste is measured indirectly through Sparinvest's quarterly screening for breach of standards. Sparinvest seeks to the widest extent possible to engage with companies that act in breach of international standards, including companies that

do significant harm to the environment.

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

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	0.5%	0.57%	<p>Data are based on companies that have acted in breach of the UN Global Compact principles and/or the OECD Guidelines for Multinational Enterprises.</p> <p>In practice, all of Sparinvest's portfolios are screened for compliance thereof. Data may sometimes be delayed, which may mean that companies acting in breach of the UN Global Compact principles/OECD Guidelines are not identified until the data are updated.</p>	PAI Indicators 10 and 11 are incorporated into the investment process through Sparinvest's general exclusion criteria across all products. 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 Compact principles, including the ILO Declaration's eight fundamental conventions on fundamental principles and rights at work.
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11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to 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	0.6%	53%	<p>Sparinvest's provider of ESG data and analyses has significantly updated the data availability for this indicator during the year.</p> <p>This has had the consequence that Sparinvest has previously estimated the statement on the basis of data coverage that predominantly showed non-compliance, while this year, Sparinvest is reporting on a more comprehensive data basis. Therefore, the number is significantly lower this year compared with last year.</p>	<p>If a company is identified as being in breach of international standards, strengthening its policies to prevent breaches will always be part of the active ownership.</p> <p>If a company acts in breach of one of these conventions, Sparinvest will seek to mitigate the adverse impact through active ownership, which involves dialogue 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 publishes the names of companies excluded from Sparinvest's investment universe. If a company is identified as being in breach of international standards, strengthening its policies to prevent breaches will, among other things, be part of the active ownership.</p>
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	19%	13%	Data availability is low (13.8%) again this year, which is why changes in coverage can have a relatively large impact.	In practice, this indicator is measured through principle 6 of the UN Global Compact principles on "labour rights" and is measured and implemented through Sparinvest's quarterly

					Therefore, it is difficult to compare the numbers from one year to the next, as the data basis is still not sufficient.	screening. Data availability for this indicator remain limited. Sparinvest works to increase diversity, and this information will play an important role in the assessment of the investee company's work to ensure fair and equal treatment in the future.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	37%	37%	37%	Through Sparinvest's active ownership, efforts are made to actively promote gender diversity on the boards of directors, and an increasing number of diversity initiatives may have a positive impact on this indicator.	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's representation of the under-represented gender is less than 40%. In developing countries, however, at least one member of the board of directors is expected be of the under-represented 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	0.02%	0.05%	0.05%	Sparinvest measures exposure to controversial weapons through quarterly screenings. Exposure is lower this year compared with last year. Sparinvest has not changed its	Sparinvest's Sustainable Investment Policy sets out universal exclusion criteria covering all investments. This entails Sparinvest's exclusion of all manufacturers of controversial weapons, such as landmines, cluster weapons, biological weapons,

					practices in this area compared with last year.	chemical weapons, depleted uranium, white phosphorus, lasers aimed to blind humans and nuclear weapons outside the Nuclear Non-Proliferation Treaty. Investments and investment universes are screened quarterly for such manufacturers. If a new company is identified, it is added to the exclusion list.
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Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	561 tonnes of CO ₂ e per EUR 1 million invested	730 tonnes of CO ₂ e per EUR 1 million invested	Most recent statement shows a decline in total GHG intensity since end-2022.	Sparinvest measures GHG intensity of investee countries included in Sparinvest's investment products. Sparinvest expects to further develop measures in respect of environmental and social aspects for this type of asset class for the next reference period.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in	4 (4%)	4 (4%)	The value remains unchanged on last year's reporting.	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

		international treaties and conventions, United Nations principles and, where applicable, national law				<p>addition, we believe that sustainability, including respect for human and democratic rights, social conditions and climate risks, can contribute to the return.</p> <p>Sparinvest has a set of guidelines for government bonds: Sparinvest excludes countries that are subject to financial transaction sanctions or sanctions against leading government officials.</p> <p>Other than that, Sparinvest includes democracy and human rights in the investment process based on sustainability analyses of the issuing country.</p>
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Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	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	Sparinvest does not make this type of investment.

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	Sparinvest does not make this type of investment.
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Other indicators for principal adverse impacts on sustainability factors

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	Investments in companies without carbon emission reduction initiatives	32%	43%	The proportion of investments in companies without initiatives to reduce carbon emissions has decreased since last year's reporting. Sparinvest expects this trend to continue.	<p>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.</p> <p>In order to reach this target, it is crucial that the underlying companies set their own targets for reducing carbon emissions. Therefore, Sparinvest is exercising active ownership to incentivise companies to set targets if they have not already done so.</p>
Human Rights	Number of identified cases of severe human rights issues and incidents	0.009	0.01	Sparinvest expects our investee companies to respect human rights in their activities,	<p>Investee companies respect human rights.</p> <p>Every quarter, more than 10,000 different securities are</p>

				including own activities and across value chains.	<p>screened for issuer's breach of the OECD Guidelines and/or the UN Global Compact principles.</p> <p>If an investee company is in breach of international law, Sparinvest will attempt, through engagement and together with other investors, to make them remedy the breach. If a company fails to rectify its behaviour, it will be excluded.</p>
Social and employee matters	Excessive CEO pay ratio	165	215	Corporate governance underlies companies' will and ability to handle certain challenges and therefore constitutes fundamental considerations in Sparinvest's investment processes, active ownership and voting principles. Compared with last year, the excessive CEO pay ratios show a positive trend.	<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. Therefore, salary and bonus contracts are a central element of our active ownership and particularly of our voting activities. Sparinvest has been represented at more than 2,000 general meetings. At more than one in four general meetings, Sparinvest voted against the recommendations of the boards of directors, one reason being that the CEO's salary was too high.</p>

DESCRIPTION OF POLICIES FOR IDENTIFICATION AND PRIORITISATION OF 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. The policy is a governance document for PAI. The policy is implemented by Sparinvest, which contributes by reporting on these efforts. Sparinvest's parent Nykredit has set up a Sustainable Investment Forum, which meets at least four times a year to monitor the implementation of the policy, 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 ownership and voting at general meetings of public limited companies.

PAI are considered in investment decisions and active ownership based on a materiality and sustainability perspective and are considered in relation to the type of investment and asset class.

Sparinvest employs a number of sustainability indicators for exclusions and monitoring of investment processes. These include, as a minimum:

- Compliance with international guidelines and norms: The Ten Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the associated UN Principles on Human Rights.
- Exclusion of manufacturers of controversial weapons covered by conventions: cluster weapons, landmines, biological weapons, chemical weapons, ammunition with enriched uranium and nuclear weapons in violation of the Treaty on the Non-Proliferation of Nuclear Weapons.
- Measurement of carbon emissions: carbon footprint per DKK 1 million invested, emission intensity and weighted average carbon intensity (WACI).
- Exposure to fossil fuels.
- Board gender diversity.

In 2023, Sparinvest focused in particular on managing companies' adverse climate impacts. Another priority has been to mitigate adverse impacts of companies that act in breach of the OECD Guidelines for Multinational Enterprises or the UN Global Compact principles. A third priority has been to impact investee companies through our voting at general meetings, where, for example, the theme "Excessive CEO pay ratio" has been on the agenda at more than 2,000 meetings at which Sparinvest has been represented. At more than one in four general meetings, Sparinvest voted against the recommendations of the board of directors.

POLICIES FOR ACTIVE OWNERSHIP

Our active ownership policy is included in the Sustainable Investment Policy, seeing as active ownership 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 principles 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.

Read the policy [here](#).

REFERENCES TO INTERNATIONAL STANDARDS

Sparinvest expects investment managers to apply international standards in their 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 Sustainable Development Goals is based on recommendations from UNDP and 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.

HISTORICAL COMPARISON

This report is a second edition and comprises of 14 compulsory PAI indicators and three voluntary PAI indicators. Compared to last year's reporting, the data basis has been strengthened in terms of accessibility, and a number of methodology changes have been implemented through Sparinvest's external data provider. This has meant that some key figures are not directly comparable with last year's reporting.

At the launch of the EU taxonomy, only two out of the six environmental objectives had been adopted. In late summer 2023, the last four environmental objectives of the EU taxonomy were approved. These include: Environmental objective 3: Sustainable use and protection of water and marine resources; Environmental objective 4: Transition to a circular economy; Environmental objective 5: Pollution prevention and control; Environmental objective 6: Protection and restoration of biodiversity and ecosystems. These environmental objectives are actively being incorporated into Sparinvest's products, and necessary data are continuously collected.

In addition, a number of initiatives were launched during 2023, including Sparinvest's implementation of a new Fossil Fuels Policy in 2023, which has led to an expansion of Sparinvest's exclusion list to include more than 400 new names.

During the year, there has been a change in the methodology behind the calculation of two indicators. For Indicator 7, our external data provider has expanded the criteria that determine when an issuer is deemed to have activities that have an adverse impact on biodiversity-sensitive areas. Previously,

two criteria were examined that would have an adverse impact on a biodiversity-sensitive area; today, four criteria are being examined. This contributes to a significant increase in the value of Indicator 7, due to a more rigorous approach to the calculation. For Indicator 11, our external service provider has expanded their criteria that determine when an issuer is deemed to lack processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. Where previously it was only examined whether an issuer had committed to reporting on the implementation of the UN Global Compact principles, several criteria are now being examined that can contribute to compliance with the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. This has contributed to a significant decrease in the key figure, due to a new and more lenient calculation method.

One indicator (Indicator 5) has been changed since last year, and energy production and energy consumption are now separated into two different key figures. Data on energy production were not available last year; hence it is not possible to make a historical comparison on this indicator.

Sparinvest continuously strives to improve the data basis for handling negative impacts from the investment portfolios. Therefore, data are updated as new data sources become available or older data have been clarified. Obtaining data on alternative investments is particularly challenging, and Sparinvest has therefore been in dialogue with the underlying managers of alternative investment funds in order to expand the funds' reporting in this area going forward. Although data have been collected to a much greater extent in the past year, the data collected are still not sufficient to provide a meaningful picture in the context of reporting. In 2024, focus is on collecting and reporting sustainability data to a much wider extent among alternative investment funds. In addition to enhancing data quality and volumes, there is increased focus on strengthening our internal control procedures to ensure compliance with our sustainability indicators in accordance with our investment products' pre-contractual documents.

In addition to strengthening data quality and control procedures, Sparinvest has also focused on enhancing our efforts in the area of active ownership. Last year's revision of the Sparinvest's Sustainable Investment Policy included higher voting ambitions with participation in all general meetings, wherever possible. In addition, Sparinvest has strengthened efforts in the area of biodiversity, which is already included in management's risk assessments in connection with investments. Sparinvest engages with companies that act in material breach of international standards, including companies that do significant harm to biodiversity.

DATA AND GOVERNANCE:

Data sources from a number of third parties are used to measure the indicators. Sparinvest's primary provider of ESG data and analyses is MSCI ESG Research. Furthermore, Sustainalytics is our external adviser on controversies and active ownership. ISS provides analyses of public limited companies in relation to voting activities. In addition, reported issuer data are used where no other data are available or where the issuer data are found to be of higher quality. Information from other external parties such as authorities, media or NGOs can be used, and due diligence is performed on all data sources. Sparinvest also applies data sets issued by public authorities or organisations, provided that such data are deemed to be reliable based on a thorough assessment. When applying this type of information, we include the source in our reporting.

Sparinvest has a governance structure for managing sustainability issues. If a business does not comply with Sparinvest's general or product-specific sustainability guidelines, it will be excluded, or Sparinvest will engage with the company. Sparinvest's Sustainable Investment Forum makes decisions on exclusions, on behalf of the Sparinvest. Decisions on the identification, management and prioritisation of PAI are made in collaboration between investment teams and the sustainable investment team.

Changelog

23-10-2024: Additions to "3. Description of actions taken to address PAI"