



PRINCIPAL ADVERSE IMPACT STATEMENT

JUNE 2025

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Description of Principal Adverse Impacts

Sparinvest integrates information on principal adverse impacts (PAI) on sustainability factors in our investment activities. Such impacts are taken into consideration when we make investment decisions and in our stewardship practices with a view to reducing the adverse effect. This approach is described in further detail in this statement on principal adverse impacts of investment decisions on sustainability factors.

1. Policies for the identification and prioritisation of PAI

PAI is incorporated into investment decisions and stewardship practices based on a double materiality and sustainability approach and is assessed in relation to investment type and asset class.

Such information is to the widest extent possible included in the evaluation of companies, and adverse impacts are primarily addressed through:

- 1) Stewardship
- 2) Exclusions.

The principles behind this approach are further elaborated in our Stewardship Policy and in this statement. Descriptions of our PAI activities at product level can also be found in schedules to the prospectuses of the individual investment products, which are available via Sparinvest's website.

The results are also described in the appendix to the annual report in the form of "Frequent sustainability reporting", which is also available on our website.

In 2024, Sparinvest focused in particular on three areas:

- Addressing the adverse climate impacts of portfolio companies
- Limiting exposure to companies that violate OECD guidelines or the UN Global Compact principles
- Voting actively, for example in relation to remuneration.

The theme "Excessive CEO pay ratio" was on the agenda at more than 2,000 general meetings at which Sparinvest was represented. In more than 25% of cases, Sparinvest voted against the board of directors' recommendations. This prioritisation is reflected in screening procedures, stewardship practices and exclusions – areas where Sparinvest, as a manager, can achieve the greatest possible impact.

Sparinvest uses both mandatory and optional PAI indicators to identify and prioritise principal adverse impacts. In the selection of the optional PAI indicators, materiality (financial, environmental and societal) is assessed, as well as a combination of:

- Quantitative data analysis (eg climate footprint, norm screening, voting activity)
- Qualitative assessments (eg potential for engagement).

Optional PAI indicators in 2024

a) Climate and environment

Indicator: Share of investments in companies without carbon emission reduction initiatives

- Measures the proportion of the portfolio invested in companies without specific reduction targets
- Supports Sparinvest's target of a 60% reduction in emission intensity (2020–2030) and climate neutrality by 2050
- Stewardship can be used to enter into dialogue with companies.

b) Social matters

Indicator: Number of identified cases of human rights issues and incidents

- Quarterly screening against OECD guidelines and UN Global Compact principles
- Engagement is the first step – exclusion follows if there is no improvement
- Goal: to ensure respect for human rights in both operations and value chain.

c) Social and employee matters

Indicator: Excessive CEO pay ratio

- The indicator assesses social responsibility and pay fairness.

Sparinvest uses a range of sustainability indicators for continuous monitoring. These include, as a minimum:

- Compliance with international guidelines and norms, including: the OECD Guidelines for Multinational Enterprises and the UN Global Compact principles
- Exclusion of manufacturers of controversial weapons covered by international conventions (including cluster weapons, landmines, biological and chemical weapons, ammunition with enriched uranium and nuclear weapons in violation of the Treaty on the Non-Proliferation of Nuclear Weapons)
- Measurement of CO₂e emissions: CO₂e per million DKK invested and emission intensity
- Exposure to fossil fuels
- Board gender diversity.

2. PAI initiatives and planned measures

Sparinvest has implemented a range of measures supporting the management of PAI through sector exclusions and participation in international initiatives. As a participant in the Net Zero Asset Managers (NZAM) initiative, Sparinvest is committed to ensuring that its investment portfolios are Paris-aligned. This involves eg:

- Establishing concrete climate targets
- Stewardship of high-emission companies
- Exclusion of companies with significant revenue from fossil fuels if they do not have a credible, Paris-aligned transition plan.

In 2023, our focus was further sharpened with our new Fossil Fuels Policy forming part of Sparinvest's Sustainable Investment Policy. Prior to this, Sparinvest had for several years, alongside multiple other investors, engaged with the investee oil, gas and coal companies to encourage them to move towards a more

sustainable future. This has been at the core of our stewardship. This approach is based on the Paris Agreement and recognised climate science, including analyses identifying companies that conflict with the Net Zero by 2050 scenario of the International Energy Agency (IEA), which includes companies that continue to expand and develop new oil and gas fields.

3. Description of actions taken to address PAI

As a minimum, Sparinvest's investment products must adhere to the Sustainable Investment Policy. Stewardship, including dialogue, voting and potential escalation, is an integral part of addressing PAI and reducing adverse sustainability impacts. This is primarily done through:

- Dialogue and engagement with companies
- Voting at general meetings
- Exclusion when necessary.

Sparinvest votes on topics such as:

- Remuneration policy
- Carbon emissions
- Gender diversity
- Biodiversity
- Human rights
- Anti-corruption.

Through our vote, we seek to reduce companies' sustainability risks, mitigate their adverse impacts on society and support long-term sustainable value creation. Voting data is available via our [voting portal].

We also vote against companies' boards of directors to express dissatisfaction, especially in cases of confirmed norm violations where the company shows no intention to improve. In such cases, the company will be excluded in accordance with Sparinvest's policy.

This work is complemented by our exclusion criteria, which ensure that we do not invest in:

- Manufacturers of controversial weapons
- Companies involved in serious norm violations
- Tobacco
- Fossil fuels with particularly problematic extraction.

Even stricter exclusion criteria are applied for a number of our funds.

Finally, stewardship of internal management reporting on the PAI indicators, which are reported quarterly to the management team of Nykredit Asset Management, will be strengthened. Here, it is assessed whether corrective action is needed.

Statement of principal adverse impacts of investment decisions on sustainability factors

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

Summary

Sparinvest S.A., takes into account principal adverse impacts on sustainability factors, in accordance with the framework set out in the Delegated Act (EU) 2022/1288 under the Sustainable Finance Disclosure Regulation 2019/2088 (EU). This statement constitutes the Bank's consolidated report on principal adverse impacts on sustainability factors.

Sparinvest ensures that information about these impacts is integrated into the investment process. They are incorporated into both investment decisions and stewardship practices with a view to reducing adverse impacts and supporting long-term value creation. The 14 mandatory (and 3 optional) indicators of principal adverse impacts on sustainability factors (PAI indicators) are treated in different ways in the context of investment.

Stewardship Policy

Sparinvest has established a Stewardship Policy that ensures that investment activities are conducted responsibly and with a view to reducing principal adverse impacts on sustainability factors. The policies cover both voting and engagement with portfolio companies and are based on relevant international standards and principles for responsible investment.

Policy review and adjustment

If no reduction is observed in the mentioned PAI indicators for more than one reporting period, the stewardship policies will be adjusted. This may include:

- Tightening of exclusion criteria
- Intensification of engagement efforts (eg more meetings, longer time horizon, collaboration with other investors)
- Changes in voting practices at general meetings.

The effect of stewardship with respect to the PAI indicators is reviewed annually, and the results are used to review and adjust policies to support a targeted reduction in the principal adverse sustainability impacts.

Focus areas 2024

In 2024, Sparinvest had a particular focus on:

1. Climate – reducing companies' climate footprint
2. Norm violations – dealing with companies that violate international guidelines

3. Remuneration – voting at general meetings where the topic of "excessive CEO pay ratio" was on the agenda at more than 2,000 meetings. At more than one in four general meetings, Sparinvest voted against the recommendations of the board of directors.

These priorities are reflected in screening methods, stewardship and exclusion decisions.

Sparinvest is continuously improving the data basis for assessing adverse sustainability impacts. Data is continuously updated in line with increased accessibility and quality from ESG providers and companies.

This statement covers the reference period 1 January – 31 December 2024.

[Summary referred to in Article 5 provided in the languages referred to in paragraph 1 thereof]

Description of the principal adverse impacts on sustainability factors

[Information referred to in Article 7 in the format set out below]

Indicators applicable to investments in investee companies

Climate and other environment-related indicators

Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	GHG emissions	Scope 1 GHG emissions	961,702 tonnes	1,177,118 tonnes	Sparinvest's Scope 1 GHG emissions were lower than in 2023. This reflects an ongoing reallocation towards investments in lower-emission companies and a continuous adjustment to our commitments under the Net Zero Asset Managers initiative. The decrease is particularly positive as it has occurred alongside an increase in assets under management.	Net zero commitment: Sparinvest has set climate targets for investment portfolios so that they are in line with the transition required to meet the goal set out in the Paris Agreement. In 2021, Sparinvest joined the Net Zero Asset Managers initiative and committed to achieving net zero across total assets under management (AuM) by 2050.

		Scope 2 GHG emissions	251,158 tonnes	180,968 tonnes	Scope 2 emissions showed a slight increase, which may be due to higher indirect energy consumption among portfolio companies – possibly due to changes in the regional energy mix. Sparinvest continues to work actively with companies to promote the transition to more sustainable energy sources.	Going forward, Sparinvest will continue to actively engage with portfolio companies to promote alignment with the Paris Agreement, further develop and strengthen existing tools for managing climate risks and launch new climate-focused investment products.
		Scope 3 GHG emissions	7,121,342 tonnes	7,121,497 tonnes	The increased Scope 3 emissions point to higher upstream and downstream emissions in the value chains of the portfolio companies. Sparinvest recognises the complex nature of Scope 3 emissions and is continuously striving to improve the data basis throughout the value chain.	
		Total GHG emissions	8,334,203 tonnes	8,562,513 tonnes	Total emissions increased as a result of higher Scope 2 and Scope 3 emissions. This underscores the need to strengthen our climate commitment and highlights the significant role that indirect emissions play in the portfolio's overall climate footprint.	
	Carbon footprint	Carbon footprint	307 tonnes of CO ₂ e per million EUR invested	366 tonnes of CO ₂ e per million EUR invested	The carbon footprint showed a slight reduction, indicating progress in efforts to lower the emission intensity relative to invested capital. The result is in line with Sparinvest's	

					climate strategy and reflects a targeted effort to support companies with lower carbon emissions.	
	GHG intensity of investee companies	GHG intensity of investee companies	675 tonnes of CO ₂ e per million EUR of revenue	775 tonnes of CO ₂ e per million EUR of revenue	The decrease in GHG intensity shows an improvement relative to the companies' revenue, but year-on-year fluctuations may also be impacted by changes in methodology or asset composition. The calculations include the absolute emissions from Scopes 1, 2 and 3.	
	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4%	13%	Exposure to fossil fuel companies decreased significantly, which clearly shows the effect of Sparinvest's updated Fossil Fuels Policy. This represents a significant step towards adapting the portfolio to the green transition.	As part of Sparinvest's Fossil Fuels Policy, investments in companies with significant activities in coal, oil and gas are excluded unless there is a documented Paris-aligned transition plan. The policy includes exclusions, restrictions and increased engagement with companies. Sparinvest continues to strengthen our focus on the green transition through our Fossil Fuels Policy.
	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable	Energy consumption: 67% Energy production: 32%	Energy consumption: 65% Energy production: 32%	The shift towards increased consumption of non-renewable energy combined with a decline in renewable energy production suggests a growing dependence on conventional energy sources.	Sparinvest integrates sustainability as a core element of our stewardship practices by supporting investee companies in their transition towards a net-zero emissions economy. This includes dialogue and

		energy sources, expressed as a percentage of total energy sources.			Stewardship efforts will focus on accelerating the energy transition in high-impact sectors.	collaboration with companies on energy optimisation as well as investment in technologies and processes that promote an increased share of renewable energy production. The goal is to significantly reduce dependence on non-renewable energy sources in the coming years and ensure a more sustainable energy future.
	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 : 0.19 B: 1.09 C: 0.92 D: 1.69 E: 0.51 F: 0.08 G: 0.09 H: 1.15 L: 0.38	A: 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	Differences between sectors reflect both the specific dynamics of each sector and the performance at company level. Continued focus on engagement in high-impact sectors is crucial, especially where intensity has increased.	Sparinvest maintains a focus on stewardship in high energy-consuming sectors to promote energy efficiency. The goal is to further reduce energy consumption intensity in the most energy-intensive sectors through dialogue and investment in green technology.
Biodiversity	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	8.2%	7.9%	Sparinvest continues to view biodiversity loss as a key challenge for companies, their subsuppliers and society. Sparinvest's engagements aim to encourage investee companies to set targets and improve their reporting of climate footprints. It is difficult to compare statements regarding activities that adversely impact biodiversity-sensitive areas.	This increase in exposure to biodiversity-sensitive areas underlines the importance of improved monitoring. Sparinvest supports investee companies in developing science-based targets and improving biodiversity reporting. Sparinvest votes on a number of topics, including biodiversity. By voting at general meetings, Sparinvest seeks to influence

¹ A = agriculture, hunting, forestry and fishing, B = mining and quarrying, C = manufacturing, D = electricity, gas and district heating supply, E = water supply, F = construction, G = wholesale and retail trade, H = transport and goods handling, L = real estate activities

						companies to reduce their sustainability risks and, where possible, minimise adverse impacts on society as well as support long-term, sustainable value creation.
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	-0.04* tonnes	0.12 tonnes	In practice, the indicator regarding water is measured through Sparinvest's quarterly screening for violations of standards. Sparinvest seeks to engage as far as possible with companies that act in violation of international standards, including companies that cause significant harm to the environment.	A decrease in emissions to water is a positive result, although negative values may reflect data limitations or specific methodology adjustments. We continue to monitor potential violations of international standards through regular screenings.
Waste	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	0.85 tonnes	0.62 tonnes	The amount of hazardous waste generated by investee companies increased from 0.62 tonnes in 2023 to 0.85 tonnes in 2024.	In practice, the indicator concerning waste is measured indirectly through Sparinvest's quarterly screening for violation of standards. Sparinvest seeks to the widest extent possible to engage with companies that act in violation of international standards, including companies that do significant harm to the environment. 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.

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

Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	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	0.04%	0.5%	The share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises has fallen from 0.5% in 2023 to 0.04% in 2024.	<p>We are a signatory to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our goal is that the companies we invest in comply with these norms.</p> <p>Our investments are subject to a norm-based screening that identifies companies involved in violations of the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises. If a company is identified in this screening process, an internal assessment is initiated and potential measures are considered.</p> <p>A number of engagements were carried out in the course of 2024, based on alleged violations of international norms.</p> <p>The significant decrease indicates progress in reducing exposures to companies involved in violations of international norms. This reflects both improved screening and stewardship efforts.</p>
	Lack of processes and compliance mechanisms to monitor compliance with UN	Share of investments in investee companies without policies to	10%	0.6%	Sparinvest's share of investments in companies that lack policies to monitor	We are a signatory to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our

	Global Compact principles and OECD Guidelines for Multinational Enterprises	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			compliance with the UN Global Compact principles or the OECD Guidelines increased from 2023 to 2024. Data for 2023 was notably lower than the previous year due to updates in data availability from Sparinvest's ESG data supplier.	goal is for the companies we invest in comply with these standards. The significant increase is largely due to improved data coverage from our ESG supplier. We will continue to engage with companies to encourage them to implement robust policies.
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.9%	19%	The average unadjusted gender pay gap for Sparinvest's investee companies decreased by 5.1% from 2023 to 2024.	The decrease in the unadjusted gender pay gap indicates an improvement in pay equity across investee companies, but further progress is still needed to close structural gaps.
	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	36%	37%	The average ratio of female to male board members in Sparinvest's investee companies decreased from 2023 to 2024.	An essential part of our assessment of corporate governance practices under SFDR is that at least two genders are represented on the boards of directors of investee companies. We consider this essential to ensure a broader perspective and strengthened decision-making. The observed decline in gender diversity on the boards of directors therefore highlights the need for a continued and targeted focus on gender balance through active voting and engagement.
	Exposure to controversial weapons (anti-personnel mines, cluster munitions,	Share of investments in investee companies involved in the	0.02%	0.02%	Sparinvest's share of investments in companies involved in the manufacture or	Sparinvest continues to apply strict exclusion policies for controversial weapons and maintains ongoing monitoring.

	chemical weapons and biological weapons)	manufacture or selling of controversial weapons			sale of controversial weapons remains unchanged.	
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Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	GHG intensity	GHG intensity of investee countries	451 tonnes of CO ₂ e per million EUR in revenue	561 tonnes of CO ₂ e per million EUR in revenue	The decrease in GHG intensity is due to changes in portfolio composition and investments in sectors with lower carbon emissions per unit of revenue.	<p>We are committed to reducing carbon intensity across our investments.</p> <p>We are continuously enhancing our data basis and calculation methods to ensure even more accurate monitoring of our climate footprint and progress towards net zero.</p>
Social	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 international treaties and conventions, United Nations principles and, where applicable, national law	5 (0.7%)	4 (0.04%)	The increase reflects the fact that the portfolio includes several countries with reported social violations according to international standards.	<p>Sparinvest conducts regular assessments of investments in government bonds with a focus on compliance with human rights. Our approach is based on internationally recognised standards – including EU and UN sanctions.</p> <p>Our goal is to ensure that Sparinvest's government bond investments remain in line with international norms and standards, while enhancing our ability to integrate sustainability risks and principal adverse impacts into investment decisions.</p>

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	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	Not applicable.	Not applicable.	Not applicable.	Not applicable. Sparinvest does not manage real estate investments.
Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Not applicable.	Not applicable.	Not applicable.	Not applicable. Sparinvest does not manage real estate investments.

Other indicators of principal adverse impacts on sustainability factors

[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (a) in the format in Table 2]

[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (b), in the format in Table 3]

[Information on any other adverse impacts on sustainability factors used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1), point (c), in the format in Table 2 or Table 3]

Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	Investments in companies without carbon emission reduction initiatives		47%	32%	An increase in the share of investments without carbon emission reduction initiatives.	The share of investments in companies without carbon emission reduction initiatives has increased from 32% to 47%, underlining the need for an increased focus on climate-related commitments. Sparinvest works purposefully to promote green investments and actively collaborates with

						<p>companies to implement effective CO₂ reduction strategies.</p> <p>During 2024, we have been in dialogue with several companies to influence them towards a more sustainable direction.</p> <p>The focus has been and continues to be on high-emission companies. These include companies in the energy sector, the materials sector (including metal, cement and paper).</p> <p>Sparinvest has also been in dialogue with selected banks on the issue of climate, with a particular focus on their financed emissions. Banks play a significant role in financing their customers' emissions, both through lending and capital market activities.</p>
Social	Number of identified cases of severe human rights issues and incidents		0.03	0.009	Increase in identified cases, indicating the need for increased monitoring.	The number of identified cases of severe human rights issues and incidents has increased from 0.009 to 0.03. This underscores the need for increased monitoring and continued dialogue with investee companies to ensure respect for human rights throughout the value chain.
Social and employee matters	Excessive CEO pay ratio		162	165	A decrease in the proportion of companies with an excessive CEO pay ratio, which may indicate a positive	When it comes to social and employee matters, the share of companies with an excessive CEO pay ratio has also seen an increase, which may indicate

					development in pay structure and governance.	challenges with pay disparities and the need for improved pay governance. Sparinvest has actively addressed these issues by being represented at over 2,000 general meetings, including in 2024, where we voted against board recommendations in more than one in four cases. A key focus in relation to these votes has been to address the problem of unreasonably high CEO pay. We continue our efforts to promote responsible governance and ensure that companies live up to social standards as well as sound corporate governance practices.
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Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

Sparinvest's Stewardship Policy outlines how we integrate PAI indicators directly into our work with voting, engagement and exclusions.

Voting activities under Sparinvest's Stewardship Policy

Through voting, we actively seek to promote long-term value creation and reduce adverse impacts on sustainability factors, including CEO pay, carbon emissions and human rights.

Engagement under the Stewardship Policy

If a company is found to be potentially in violation of international norms or other circumstances prevail that may be PAI-relevant, an engagement action plan will be prepared in most instances.

Exclusions under Sparinvest's Sustainable Investment Policy

Progress of engagements is continuously evaluated, and a review is conducted no later than two years after initiation to assess whether the company has shown sufficient improvement. If not, exclusion is considered.

Exclusion under Sparinvest's Fossil Fuels Policy

As part of our efforts to address principal adverse impacts on sustainability factors – particularly related to PAI indicators concerning GHG emissions – Sparinvest has implemented targeted exclusion practices in the area of fossil fuels.

Policies for active stewardship

Sparinvest has adopted a Stewardship Policy. The policy helps ensure that Sparinvest makes an active effort to influence portfolio companies to reduce principal adverse impacts on sustainability factors. The policy takes into account the following indicators, which are considered to be highly relevant in relation to PAI:

- Environmental and climate-related matters
- Social and employee matters
- Violations of international norms, including the UN Global Compact.

Stewardship activities include direct engagement with companies, voting at general meetings and participation in collaborative initiatives with other investors. Sparinvest commits to reviewing and adapting our stewardship policies if no documented improvement is observed in the above PAI indicators in more than one reporting period. This may involve intensified engagement, upscaling of efforts or, where appropriate, a strategic reassessment of investment positions.

References to international standards

Sparinvest's sustainability policies and practices are based on internationally recognised standards and frameworks, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the Paris Agreement as well as relevant EU regulations, such as the Regulation on Sustainability-related Disclosures (SFDR) and the EU Taxonomy. These references ensure alignment with global best practices and sustainability governance commitments. The policy is adapted to relevant changes in EU regulations, including SFDR and RTS. Results and progress are reported through annual reports, UN PRI and PAI statements.

Sparinvest adheres to and operates in accordance with the following international standards:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights

Compliance with these standards is included in the overall analysis and forms the basis for stewardship or exclusion, in line with Sparinvest's Stewardship Policy.

Paris-alignment and climate scenarios

Sparinvest assesses the extent to which investments are aligned with the goals of the Paris Agreement, including the goal of achieving net zero emissions by 2050. For this purpose, forward-looking climate scenarios and temperature alignment models from ESG providers are used, when such data is available. We focus on measuring:

- Share of investments in companies with approved science-based carbon reduction targets (SBTi)
- Share of investments in companies with exposure to fossil fuels
- The portfolio's total emission intensity and reduction pathway (towards 60% reduction target from 2020 to 2030).

The assessments are used to inform forward-looking investment decisions as well as for adjustment of policies and stewardship to promote alignment with the climate targets.

Historical comparison

Sparinvest reports annually on the development of PAI across key sustainability indicators. Year-on-year comparisons show overall trends in eg reported GHG emissions, investments in fossil fuel companies and compliance with international norms. Areas that require further focus, such as Scope 3 emissions and board gender diversity, are also highlighted. Comparing historical data helps ensure continuous progress towards reducing negative impacts.

Data quality and methodological challenges

Sparinvest's approach to ESG data collection combines information from external providers such as MSCI, ISS ESG and Sustainalytics with data reported by companies, data from NGOs and official government sources. Sustainalytics supports us with data and assessments regarding controversy and stewardship, while ISS provides analyses for voting at general meetings. All data sources undergo due diligence to ensure data quality and reliability.

As a frame of reference for the climate policy, the IEA's Net Zero by 2050 scenario is used, which is directly applied in the exclusion policy to identify companies that work against the goals of the Paris Agreement.

Sparinvest's approach is also in line with international standards and initiatives:

- For biodiversity, the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and the Montreal Agreement (COP15) are adhered to.
- Human rights are addressed through due diligence based on the UN Guiding Principles on Business and Human Rights and the OECD Guidelines.

- For transparency, Sparinvest publishes exclusion criteria, votes and climate footprint via its digital platforms in line with the EU's SFDR requirements and market practices for responsible investment reporting.

Data coverage and transparency

Sparinvest adheres to the Danish Investment Association's industry recommendations for minimum handling of sustainability data and ensures transparent reporting at both fund level and overall portfolio level. In addition, we apply Finance Denmark's CO₂ model.

Compliance with international standards

To assess compliance with international standards, Sparinvest uses a combination of quantitative indicators and qualitative assessments. These include:

- Number of identified violations of international norms (PAI indicator)
- Share of investments in companies involved in serious controversies
- Use of screening data from ISS ESG, MSCI and Sustainalytics regarding norm violations and compliance.

Data is updated quarterly and used to monitor both compliance and progress over time. The assessments form the basis of engagement, voting and exclusion.

Stewardship and engagement

Data from Sustainalytics and ISS supports Sparinvest's stewardship activities, including engagements in companies facing sustainability challenges and participation in general meetings with a focus on climate and social responsibility. Voting is reported and participation in general meetings is documented to ensure an active voice in portfolio companies.

Mortgage covered bonds

Carbon emissions associated with mortgage covered bonds are determined based on data provided directly by the issuers. The statements include Scope 1, 2 and 3 emissions and are based on Finance Denmark's CO₂ model for loans secured by mortgage on real estate. Energy labelling, heat source and property dimensions are used as key parameters for the estimates.

Governance

Addressing PAI effectively requires solid data and a robust governance structure.

The governance structure for sustainability integration in Sparinvest is anchored in the Executive Board and the Board of Directors, which have the overall responsibility for policy formulation. The operational implementation is handled by the business areas – primarily Nykredit Asset Management – and the Sustainable Investment Committee, which meet at least quarterly. The committee is responsible for decisions on stewardship, exclusions and general prioritisation of ESG integration, ensuring strategic integration across the organisation.

The applicable Stewardship Policy, approved by the Board of Directors in May 2025, constitutes the central framework for assessing and addressing principal adverse impacts on sustainability factors. It is applied across all asset classes and investment products.

Version history

Date	Version number	Comments/changes
30 June 2022	1.0	Description of the identification and prioritisation of principal adverse impacts, as well as a description of policies and references to international standards.
30 June 2023	2.0	Principal Adverse Impact Statement 2022.
30 June 2024	3.0	Principal Adverse Impact Statement 2023.