

Spar Nord

Policy for responsible investment



1. Objectives of the policy

Spar Nord aims to be a respectable and responsible bank and cooperation partner. Spar Nord takes its corporate social responsibility extremely seriously and works strategically with targeted efforts to meet customer and public expectations.

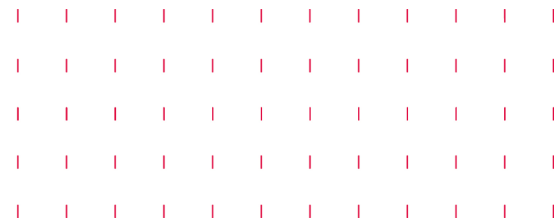
Spar Nord takes account of sustainability in the organisation of the bank as a business but also through focus on responsibility and on sustainability risks in the investments Spar Nord advises about, or executes, for customers with portfolios managed by the bank.

When Spar Nord provides investment advice on securities that are not covered by the bank's investment allocation keys or recommendations lists, the bank does not take account of sustainability risks or negative impacts on sustainability factors, other than paying heed to the exclusion list.

Spar Nord analyses financial as well as environmental (E), social (S) and governance (G) topics before making investments and preparing investment recommendations. We examine companies' business models, and we select investments we consider will generate attractive, long-term returns on a responsible basis. This is the best way to protect our customers' investments against sustainability risks, while also making a positive contribution to society and our common future.

Integrating ESG factors is a fixed element in the investment process to identify and include sustainability risks. The aim is to avoid supporting long-term non-sustainable business models and to hedge investment portfolios and customer returns against any incidents of an environmental, social or governance nature that could potentially have a significant negative impact on the value of investment portfolios.

At Spar Nord, we therefore obligate not only ourselves but also our cooperation partners to act responsibly and take account of sustainability risks and negative impacts on sustainability factors. These obligations, and realising them, are described overall in this



policy, which will also help ensure our customers long-term attractive and competitive returns.

Other than sustainability risk aspects, this policy is not applicable for the individual portfolio agreements.

Authority over the policy

Authority over decisions concerning the overall framework for responsible investment activities in Spar Nord lies within Spar Nord's Responsible Investment Committee.

The committee convenes at least four times annually and comprises:

- The Director of Markets (Chairman)
- The Chief Executive Officer
- The Director of Business Development
- The Director of Capital Management
- The Director of Equities and Corporate Bonds
- The specialist manager for ESG investments at Spar Nord

Spar Nord's Responsible Investment Committee is responsible for monitoring Spar Nord's work on responsible investment, including developing and maintaining policies in the area and maintaining Spar Nord's exclusion list, as well as helping ensure Spar Nord complies with all requirements imposed on Spar Nord as an investment manager and financial advisor.

2. International conventions

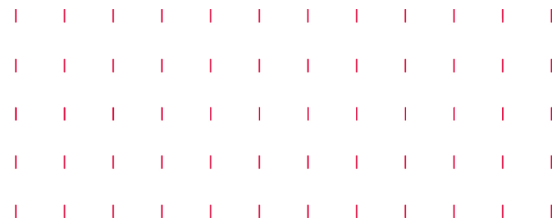
In its capacity as an investment manager, Spar Nord has acceded to the six UN Principles for Responsible Investment (PRI): As investment managers we are therefore obligated to:

1. Incorporate ESG issues into investment analysis and decision-making processes

The first principle means that, besides financial ratios and key figures, Spar Nord and Spar Nord's cooperation partners also base their investment decisions on an assessment of the company's actions with regard to environmental, social and governance issues.

2. Be active owners and incorporate ESG issues into our ownership policies and practices

The second principle means that Spar Nord and Spar Nord's cooperation partners regularly monitor companies for breaches of conventions or standards and seek to influence these companies to change their behaviour.



3. Seek appropriate disclosure on ESG issues by the entities in which we invest

The third principle means that Spar Nord and Spar Nord's cooperation partners actively promote corporate transparency regarding responsibility.

4. Promote acceptance and implementation of the Principles within the investment industry

The fourth principle means that Spar Nord and Spar Nord's cooperation partners help the investment industry make responsibility a top priority and take active part in this area.

5. Work together to enhance our effectiveness in implementing the Principles

The fifth principle means that Spar Nord and Spar Nord's cooperation partners support and actively take part in sharing knowledge and addressing current issues in the area.

6. Report on our activities and progress towards implementing the Principles

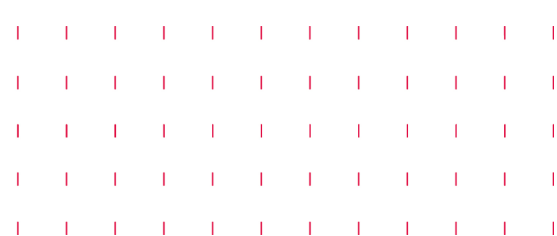
The sixth principle means that Spar Nord and Spar Nord's cooperation partners are transparent (by means of reporting and dialogue, for example) about processes and initiatives within responsible investment. Furthermore, transparency is expected regarding active ownership (Principle 2), including number of cases and the development in number of cases.

3. Sustainability risk

Sustainability risks are environmental, social or governance incidents or circumstances that, if they occur, can have a significant negative impact on the value of an investment. In order for there to be a sustainability risk, the risk must be relevant and have considerable significance for the valuation of the company or the emission, and this will usually differ depending on the class of asset, industry, country, etc. in question.

There are different types of sustainability risks. Physical risks are risks relating to climate change, for example sudden and more extreme weather events in the form of heat waves, flooding, fires and storms, etc., and permanent changes to the climate such as changed precipitation patterns, sea level rises and average temperature increases. Physical risks can also be loss of ecosystems in the form of desertification, water shortages, soil quality or marine ecosystem deterioration, for example, or environmental incidents such as oil or chemical spills causing soil, water and air contamination.

Transition risks are risks relating to the transition faced by companies as a consequence of climate change. For example, the need to develop new business models in response to changed policy priorities and resulting new regulation, taxes and duties, as well as changes in technology and consumer behaviour. Such changes can have a negative



impact on the negotiability and market value of investments in carbon-intensive industries, for example.

Investment exposures can also be negatively impacted by social factors, for example human rights violations, poor working conditions, child labour, health-related issues, inequality and discrimination. Furthermore, other risks to be avoided are related to governance factors, such as corruption and bribery.

Some of the risk factors mentioned above may be more or less important depending on the relevant asset and which industry the company operates in.

4. The most important negative impacts on sustainability factors

Sustainability factors are factors related to environmental, social and governance issues, including human rights issues and corruption and bribery issues (ESG factors).

More or less all human activity can have negative climate and societal impacts. This also applies to investments, which can contribute to financing activities causing positive as well as negative climate and societal impacts to varying degrees. Spar Nord seeks to reduce the negative climate and societal impacts of its investments by encouraging companies to work more with sustainability, or by helping to channel investments away from companies that perform poorly in sustainability terms.

We therefore consider how the companies we invest in, or recommend others to invest in, impact the climate and society. We do this by including sustainability concerns when we make investment decisions on financial products on behalf of our customers and when we prepare analyses that form the basis for our recommendations. Spar Nord's declaration of concern for important negative impacts on sustainability factors (ESG) is available at <https://www.sparnord.dk/om-spar-nord/esg>. See this for additional information.

5. Sustainability concerns

Spar Nord's integration of sustainability risks and negative impacts on sustainability factors in its investment and advisory process builds on the following four principles:

- Standards-based screening
- Active ownership
- Integration of ESG into the investment and advisory process
- Exclusion



Standards-based screening

Spar Nord performs regular standards-based screening of companies and mutual funds in the bank's investment recommendations and in portfolios managed by the bank for breaches of the following international standards and conventions:

- **The UN Global Compact**
Ten principles concerning the environment, anti-corruption, labour, child labour, human rights, etc.
- **The UN Universal Declaration of Human Rights**
For example, the prohibition of forced labour and of discrimination, the right to a fair trial, the right to freedom of expression.
- **The OECD Guidelines for Multinational Enterprises**
Including how enterprises minimise negative impacts from their activities, and encouraging enterprises to contribute to economic, social and environmental progress.
- **The ILO labour market conventions on decent conditions for labour**
Including conventions concerning the elimination of child labour, discrimination, forced labour and the right to unionise

As regards portfolios managed by Spar Nord, Spar Nord enters into dialogue through external third parties with companies that do not comply with the standards in order to influence their behaviour. Typically, this will be in cooperation with other investors. A dialogue process can involve various initiatives, including dialogue with the company's management, influencing the composition of the board, and voting at general meetings. Any breaches of standards and conventions will be presented to the Responsible Investment Committee at its next meeting.

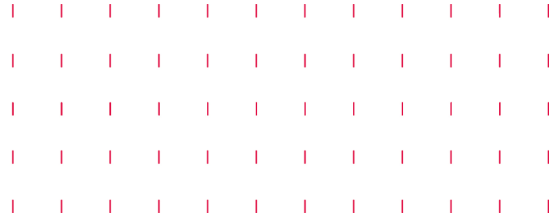
If dialogue does not lead to a positive change in the company, Spar Nord may decide to dispose of the company's shares. This will always be preceded by a decision by Spar Nord's Responsible Investment Committee to include the company in the exclusion list. In these situations, Spar Nord will not provide investment advice on the company on the basis of investment allocation keys and recommendations lists.

Active ownership

Active ownership is a central element in Spar Nord's investment process with regard to portfolios managed by the bank.

Besides practicing active ownership in the standards-based screening process, Spar Nord exercises active ownership by voting at companies' general meetings. Investments in foreign companies are through our external cooperation partner, Institutional Shareholder Services (ISS), while voting in Danish companies is carried out directly by Spar Nord.

Spar Nord has a separate Policy for Active Ownership for direct investments in Danish and foreign companies. This is described on Spar Nord's website at <https://www.sparnord.dk/om-spar-nord/esg>. See this for more information:



ESG in the investment process

Spar Nord complies with the first UN Principle for Responsible Investment by analysing ESG issues before making investments and drawing up investment recommendations. This means that, when the portfolio managers and analysts choose companies, besides looking at traditional financial ratios and key figures, they also look at non-financial key figures and analyses of sustainability risks in investment analyses, including how companies manage ESG issues. This also applies for portfolios managed by Spar Nord, for selection of mutual funds for Spar Nord's investment allocation keys and for selection of companies for Spar Nord's lists of recommendations.

If a company in a portfolio managed by Spar Nord has the lowest ESG score (CCC), the relevant portfolio manager must provide a written assessment of the ESG outlook for the company if the portfolio manager to invest in the company. Any investments in a CCC-rated company must be approved by the bank's Responsible Investment Committee. The typical reason for investing in companies that have a low ESG score is to be able to influence the company towards a more sustainable business model in future, which will benefit both customers' returns and society as a whole.

Furthermore, the ESG score is often based on historical circumstances and there may be situations in which portfolio managers deem they have in-depth knowledge about the company beyond the analysis material from the bank's data supplier, MSCI.

Spar Nord currently has particular focus on CO₂ emissions. We believe that CO₂ emissions currently have the most significant negative impact on the climate. Reducing carbon emissions by companies is therefore a very important area of focus for Spar Nord. Our annual reports include follow-up on previous action plans, and a target for reduction of the carbon footprint of our portfolio management products.

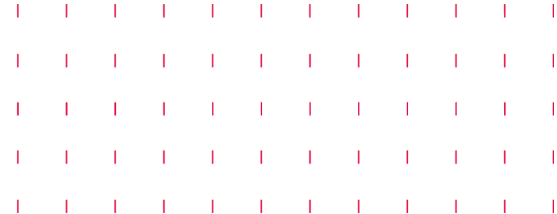
Exclusion

Spar Nord believes in the benefits of engaging and entering into dialogue with companies rather than excluding them no matter what. We believe that helping to steer non-sustainable business models towards a more sustainable future has a positive sustainable impact on society. We therefore focus on the transition to a more sustainable future, which we believe will also contribute to customer returns.

Despite our focus on engagement and dialogue, Spar Nord has a general ban on investments in companies involved in production of controversial weapons, for example, and companies with more than 5% of their revenues stemming from coal mining and/or tar sand. Exclusion may also be implemented if a company or a country violates international standards and conventions and fails to demonstrate willingness to take responsibility and change behaviour as described in the section on Standards-based screening.

When investing in government bonds, Spar Nord complies with UN and EU sanctions and excludes countries on which sanctions have been imposed against investments in government bonds and/or other securities.

The ban applies to portfolio investments managed by Spar Nord, investment allocation keys, recommendations lists as well as to Spar Nord's proprietary portfolio (excluding the trading portfolio).



Spar Nord's Responsible Investment Committee has decision-making powers to exclude a company from the Spar Nord investment universe. An updated exclusion list is provided on Spar Nord's website at <https://www.sparnord.dk/om-spar-nord/esg>.

ESG data

Spar Nord works with the international data supplier, MSCI on the supply of ESG data and analysis tools. MSCI provides ESG data and research for Spar Nord's analyses at company, sector and national levels.

6. Cooperation partners

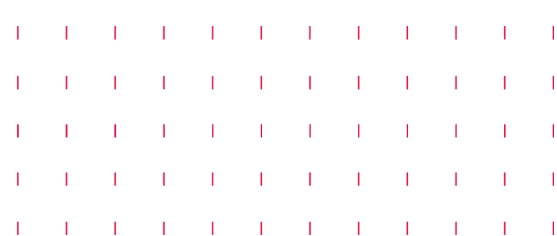
Spar Nord's cooperation partners in the area of investment are selected based on several criteria, including an assessment of their ability to take account of sustainability risks and how they manage negative impacts on sustainability factors.

Spar Nord seeks to influence cooperation partners so that they adhere to the same sustainability standards as Spar Nord (see above), including regular screening, active ownership and exclusion where engagement and dialogue are not enough. Our ongoing dialogue with cooperation partners therefore includes an assessment of their performance within the areas of focus described above with regard to taking account of sustainability risks and the most important negative impacts on sustainability factors.

7. Reporting

The Responsible Investment Committee regularly receives reports on how the responsible investment policy and sustainability risks have impacted Spar Nord's investment concepts, as well as on how Spar Nord is meeting its requirements as an investment manager, proprietary portfolio manager and investment adviser, including reporting on active ownership activities and the exclusion list. The committee also receives reports on how the bank's cooperation partners are meeting the requirements placed on them by Spar Nord.

This policy has been approved by the Board of Directors of Spar Nord with effect from 1 July 2023.



Changes

July 2023

The following changes have been made:

- The name of the policy has been changed from “Policy for responsible investment and sustainability risk” to “Policy for responsible investment”.
- Clarification that Spar Nord's individual portfolio agreements that are not covered by Articles 8 and 9 of the SFDR disclosure obligations are not covered by the policy, with the exception of sustainability risk aspects.
- Restructuring regarding points concerning standards-based screening
- Clarification of voting in the “Active ownership” section
- Restructuring and clarification in the “Exclusion list” section
- Clarification of the “Cooperation partners” section

January 2023

The policy has gone through a major revision and all existing sections have been rewritten for more accuracy. The following changes have been made:

- Clarification on who is covered by the policy, including the various parts of the policy, and clarification that Spar Nord does not take account of ESG beyond observing the exclusion list when providing investment advice about companies and bonds that are not included in the bank's recommendations lists.
- The definition of the area of responsibility of the Responsible Investment Committee has been changed.
- The exclusion list now excludes "companies with more than 5% of their revenues stemming from coal mining and tar sand" as opposed to previously "companies with more than 25% of their revenues stemming from coal mining".
- A more in-depth explanation of sustainability risks.
- A new section on negative impacts on sustainability factors.
- A new section on cooperation partners.
- The Reporting section has been changed, so that it now describes the reporting submitted to the Responsible Investment Committee.
- A section on changes, as required by law.
- Various linguistic adjustments.

