Corporate Responsibility Report of the Funds
2024

Sparinvest

Contents

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Report

This report forms the corporate responsibility reporting of the Funds listed below and describes their efforts relating to the Sustainable Investment Policy and any related obligations that the Funds may have to their members.

- Investeringsforeningen Sparinvest
- Sparinvest SICAV
- Værdipapirfonden Lokalinvest
- Værdipapirfonden Sparinvest

This report meets the reporting obligations set out in financial reporting legislation applicable to UCITS. The Sparinvest Funds report directly to the UNPRI on efforts relating to the six UN-supported principles.

This report was prepared to meet the reporting obligations outlined above and is not to be considered as an offer to buy or sell securities, nor should the report be considered as an investment research note or as an investment recommendation.

About Sparinvest and Nykredit Asset Management (NAM) as investment manager

Sparinvest is part of the Nykredit Group and cooperates with Nykredit on a wide range of products, implementation of investment policies, active ownership, investment advice and asset management across Sparinvest's funds. The policy is implemented by the Funds' investment managers, Sparinvest and NAM as part of their daily work. NAM offers products within global equities, Danish equities, bonds, credit bonds, hedge funds and alternatives, as well as professional advice on manager selection and responsible investments and other topics. The Funds' investment managers have adopted the Nykredit Group's Sustainable Investment Policy and Fossil Fuels Policy, to which reference is made in this report.

Foreword

Societal challenges

The world is facing major social and environmental challenges, and there is a great need for investments that contribute to their solution. By investing in the right companies and sectors and by being an active owner, investors can support sustainable development globally.

The Funds' approach

Management wants to help more investors make more sustainable investments. Therefore, it is important to be in dialogue with investors about their preferences for sustainable investments and more climate-friendly and sustainable alternative investment opportunities, for instance in the form of fossil-free funds.

Governance

The Funds are advised by Nykredit's Sustainable Investment Forum. Through the Funds' investment management company, Nykredit Portefølje Administration, the Forum submits proposals for approval by the Funds' Boards of Directors regarding the implementation and development of the Sustainable Investment Policy. The Funds have adopted the policy, and the Funds' Boards of Directors receive regular reports on sustainable investment efforts and the results thereof.

Ambitions for 2025

Management's ambition is to continue the pursuit of the target set for all investments to be Paris-aligned or on the path to becoming Paris-aligned by 2030.

This pursuit will form a key component of our enhanced commitment to active ownership. Furthermore, as part of our active ownership initiatives, Management will strive to ensure that the Funds' voting rights are exercised at the general meetings of all portfolio companies, where possible.

The path to greener investments and businesses

The overarching ambition of the Funds' Boards of Directors is to achieve net zero investment portfolios by 2050. This ambition was formulated when the Funds joined the Net Zero Asset Managers initiative (NZAM) and encompasses our entire investment portfolio. The Funds are dedicated to facilitating the green transition across sectors and asset classes.

If the Funds are to succeed in achieving a net zero investment portfolio by 2050, the investee companies must make real progress. Targets are not to be achieved through exclusions alone.

Therefore, the transition of the portfolio companies is absolutely essential and pursued through continuous engagement. In 2024, through Nykredit, the Sparinvest Funds' climate targets were approved by the Science Based Targets initiative (SBTi)[1]. This approval serves as proof that the targets set are science-based and align with international climate agreements, including the Paris Agreement, and supports global effort to limit average global warming to 1.5°C.

[1] SBTi is an organisation that helps companies set targets to reduce GHG emissions in line with the latest climate science.

Activities and achievements in 2024

In 2024, the Funds' investment manager:

- received approval of the climate targets from SBTi, which provides methodologies and approves companies' climate ambitions
- further developed data infrastructure for sustainable investment management and reporting
- refined the definition of corporate governance
- strengthened ESG practices and governance in the organisation.

Climate targets

The Funds' Management has set climate targets ensuring that the transition of the investment portfolios is Paris-aligned.

Sparinvest's parent, Nykredit, joined SBTi in 2022. In the extensive approval process, which began in the autumn of 2023, SBTi has considered whether the targets collectively cover all material areas of Nykredit's business and whether the ambition levels are aligned with the Paris Agreement's target of limiting the global temperature increase to 1.5°C.

The approved targets reach into 2028 and 2030 and are so-called near-term targets. If the data basis or methods change significantly along the way, the targets may be adjusted before then.

In addition, the Funds' investment manager has joined NZAM and is committed to ensuring that the Funds' aggregate assets under management will be climate neutral by 2050. Furthermore, the emission intensity across asset classes must be reduced by 60% from 2020 to 2030.

Climate targets for investment – an overview

Covered by target	Scope	Unit of measurement	Base year	Target year	Target (reduction compared with baseline)	Method	Scenario	External frameworks
Total investment portfolio	1 and 2	tCO_2e/DKKm	2020	2030	10 (60%)	TCFD recommendation for calculation of carbon footprint	-	NZAM
Mortgage covered bonds	1 and 2	$kgCO_2e$/sqm/year	2022	2028	6.95 (44%)	SDA	CRREM 1.5°C (Denmark)	SBTi validated
Equities	1 and 2	°C	2022	2028	2.42	Temperature rating	IPCC WB2DS	SBTi validated
Equities	1, 2 and 3	°C	2022	2028	2.42	Temperature rating	IPCC WB2DS	SBTi validated
Credit bonds	1 and 2	°C	2022	2028	2.53	Temperature rating	IPCC WB2DS	SBTi validated
Credit bonds	1, 2 and 3	°C	2022	2028	2.59	Temperature rating	IPCC WB2DS	SBTi validated

As part of Management's focus on achieving the climate targets, there is an overarching focus on three initiatives:

1. **Engagement and voting:** Read more about related efforts on page 20.

2. **Product offering:** The Funds' Boards of Directors aim to support investors in making green choices. Therefore, endeavours are made to offer investment funds that allow for climate and sustainability risks and opportunities. Some of these comply with the EU Benchmark Regulation's guidelines for Paris-aligned benchmark products, which require annual Paris-aligned emissions reductions.

3. **Exclusions:** The Funds have integrated the Paris Agreement into their Sustainable Investment Policy and made climate-related exclusions since 2018. In 2022, it was decided to systematically exclude companies involved in the extraction of thermal coal, unconventional oil and gas, oil and gas from Arctic drilling operations as well as coal-based energy production. In 2023, building on the International Energy Agency's Net Zero Emissions by 2050 Scenario, it was also resolved to exclude companies involved in the extraction of oil and gas from drilling operations approved after 2021. It follows from the policies that companies with a credible transition plan may be exempted. At the end of December 2024, 16 companies were exempt, while 780 companies had been excluded.

To ensure the long-term decarbonisation of the Funds' investments, the following initiatives have been implemented:

- 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.

Sparinvest's Fossil Fuels Policy is available here.

Prior to the implementation of this policy, the Funds' investment manager had for several years, alongside multiple other investors, engaged with the oil, gas and coal companies in the Funds' investment portfolios to encourage them to work towards a greener future. This has been part of the active ownership efforts. Due to lacking transition and increasing transition risks in these sectors, companies with significant revenue exposure to coal, unconventional oil and gas (tar sand etc) as well as Arctic drilling were previously divested.

Our approach is based on the Paris Agreement and recognised climate science, including data identifying companies that conflict with the Net Zero Emissions by 2050 Scenario of the International Energy Agency (IEA), which includes companies expanding and developing new oil and gas fields. Unfortunately, the latest data show that multiple energy companies are involved in projects that are not in line with the IEA's 2050 scenario.

The Funds' Management took the consequences of this in 2023 and will in future exclude companies that expand their production in contravention of the IEA's 2050 scenario. This has entailed an expansion of the exclusion list by more than 400 companies operating in the oil, gas or coal industries.

Target setting

To achieve their long-term ambition of carbon neutral investment portfolios, the Sparinvest Funds have set several short- and medium-term targets and ambitions, which can be grouped into the following categories: carbon reduction, transition, temperature rating and sector-specific targets.

Reduction targets

The carbon reduction targets have been set as part of the Funds' commitment to NZAM and apply across all asset classes. The Management wants to reduce the carbon footprint from scope 1 and 2 emissions from the Funds' total investment portfolio by 60% from 2020 to 2030.

Transition

A transition ambition has been set as part of the Funds' commitments under NZAM. This ambition also applies to the Funds' total assets under management (AuM) and follows the guidelines of the Net Zero Investment Framework (NZIF). The NZIF serves as a framework tool for laying a concrete pathway for achieving real transition.

Initiatives under the climate transition plan – an overview

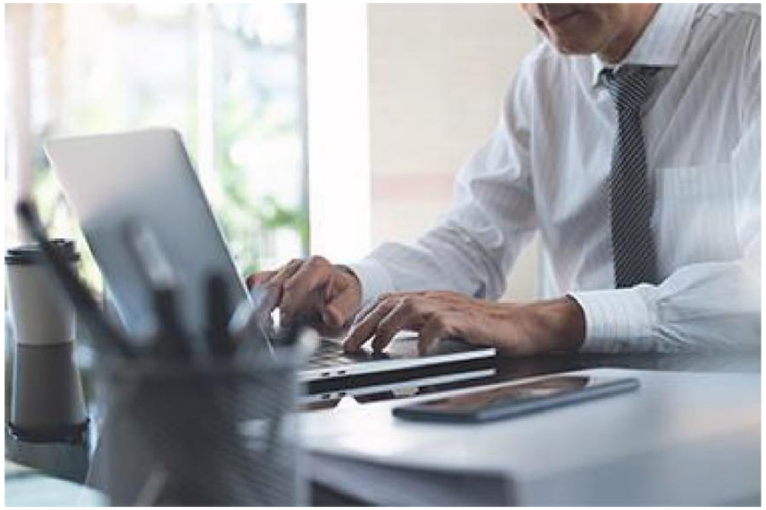
Investments

Policies and terms	• Fossil Fuels Policy • Sustainable Investment Policy • Integration of sustainability into risk assessments and pre-contractual documents
Involvement	• Active ownership strategy – focus on largest carbon emitters • Target of Paris alignment among investee companies
Stakeholders and partnerships	• Net Zero Asset Managers initiative, Science Based Targets initiative, Glasgow Financial Alliance for Net Zero, Climate Action 100+ and Net Zero Engagement Initiative • Sector collaboration on climate targets for equity funds • Investor Alliance for Human Rights

Investment policy

The Funds' investment policy sets the framework for the Funds' corporate responsibility efforts. The Funds have adopted Sparinvest's Sustainable Investment Policy. The policy, which is available on the Funds' website, builds on the objective of taking responsibility for the wider society and creating long-term value.

The Funds are uniquely positioned to make a difference through their investment approach. The world is facing major social and environmental challenges, and there is a great need for investments that contribute to their solution. By investing in the right companies and sectors and by being an active owner, investors can support sustainable development globally. The Funds' Management believes that sustainable investment is about driving change. The Management is convinced that the Funds provide the most benefit to society by investing the assets under management (AuM) in companies with an actual sustainability potential, rather than only investing in companies that have already reached the finish line.



This is true for companies in the areas of climate and environment, as well as for socially responsible companies governed in a proper and responsible manner (ESG). The fundamental belief is that active ownership is a driver of change in investee companies through engagement as a way to influence the companies and guide them in the right direction.

For all investments, the Funds seek to strike the right balance between risk, returns and sustainability. Because when more weight is attached to sustainability, the number of companies is reduced, and that may have a negative impact on risk and returns in the individual subfund – compared with other subfunds.

Sustainability is integrated into the investment process by incorporating ESG criteria into all portfolios that contribute to risk assessment and analysis of companies in terms of environmental, social and governance factors (ESG).

Serving as an active owner on behalf of the Funds, the Funds' investment manager regularly engages with the investee companies to actively influence them to contribute to the green transition.

Engagements

When a dialogue is initiated with a company included in the Funds' investment portfolios to address improvement of ESG-related issues, it is referred to as an engagement. Engagement with companies allows for the Funds' commitments in accordance with international standards, including the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises. The Funds' investment manager continuously evaluates the progress of engagements with companies that violate international standards. It follows from the Sustainable Investment Policy that progress must be assessed not later than two years after the engagement is initiated. Based on this assessment, it is determined whether it is still realistic to get the company to change its practices. If not, the company will be excluded in accordance with the policy.

If a company is found to be in breach of the guidelines, the Funds' investment manager will engage with the company, either independently or in collaboration with other investors through third-party providers – with a view to getting the company to change its practices.

Through their investment manager, the Funds vote on a range of topics, including remuneration policies, carbon emissions, gender diversity, biodiversity, human rights and anti-corruption. By voting at general meetings, the Funds seek to influence companies to mitigate their sustainability risks and, where possible, any adverse impacts on society as well as support long-term, sustainable value creation. Voting activities are available on the voting portal (Sparinvest Voting Dashboard).

The Funds may also vote against the board of directors of a company to express their dissatisfaction with the company. In the event of confirmed breach of the guidelines, and where the company expresses no will to address the problem, the company is excluded.

These activities are complemented by the Funds' exclusion criteria, which ensure that investments are not made in sectors and/or activities associated with particularly high ESG risks. For example, the Funds exclude companies that act in material breach of international standards and manufacturers of tobacco, controversial weapons and fossil fuels involved in particularly problematic exploration across the Funds' portfolios. In addition, extended exclusion criteria apply to sustainable investment funds.

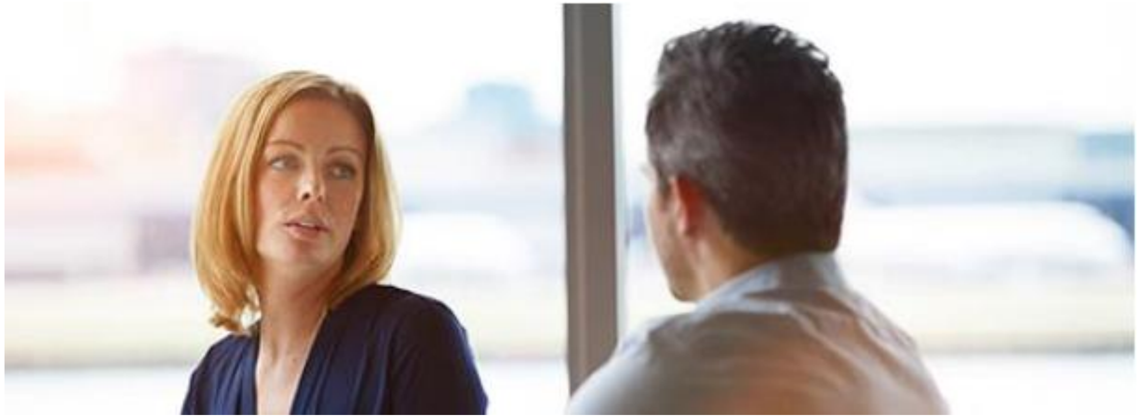
Examples of engagement with companies in the portfolios

Through their investment manager, the Funds engage with a number of the companies included in the portfolios. These engagements do not have a sustainable objective. A continuous focus has been on assessing the ESG performance of our investee companies, taking sustainability considerations into account in a way that matches the relevant sector in which the investee company operates.

For example, sustainability analyses of a company in the financial sector may differ from those of a company in the industrial sector, and the approach relating to, for example, climate footprints will therefore also vary. During the year, the Funds' investment manager has particularly engaged with companies within the sectors of Industry, Materials, Energy and Utilities and Finance.

Epiroc

Epiroc is a frontrunner in integrating ESG into business practices. The company specialises in mining equipment and associated infrastructure designed to minimise environmental impacts. The products are offered with a focus on electrification and automation to reduce carbon emissions and energy consumption, ultimately lowering customers' operating costs. By providing battery-powered machinery, Epiroc helps its customers transition to more sustainable practices without compromising productivity.



Torm

In 2024, constructive dialogue was initiated with Torm, a Danish shipping company, about its decarbonisation initiatives. Although the company has an ambitious target of reaching net zero by 2050, the level of ambition in the company's sub-targets was reviewed, and Torm was requested to provide a decarbonisation plan, which the company is currently preparing. Throughout the dialogue, there was general caution regarding the target, which was attributed to the uncertainty surrounding future technology and fuels.

Schneider Electric

Schneider Electric stands out in the ESG field, exemplifying the essence of environmental, social, and governance principles. At the heart of the company's mission is a commitment to sustainability, demonstrated through its innovative investments in energy management and automation solutions that help customers minimise their carbon footprints. By promoting renewable energy and energy-efficient systems, Schneider Electric not only reduces its environmental impact, but also empowers its partners to thrive in a green economy and participate in the electrification of society. Schneider Electric's commitment extends beyond the environment, as the company also invests in diversity, equity and inclusion in the workplace, ensuring that all voices are heard. Through robust management practices, transparency and ethical decision-making, Schneider Electric ensures accountability at all levels.

In addition, the company works actively with biodiversity through initiatives that include biodiversity training for employees and a commitment to source 100% deforestation-free wood by 2030.

The company's targets, such as achieving carbon neutrality in operations by 2025, reflect a forward-looking approach to ESG that inspires and drives other companies worldwide. With a deep-rooted belief in creating a sustainable future, Schneider Electric shows that business success and social responsibility go hand in hand.

The company prioritises the safety and well-being of its employees by designing and utilising equipment that minimises risks in hazardous environments. Additionally, it promotes diversity and inclusion, creating a global workforce focused on collaboration and respect.

Strong leadership forms the foundation of Epiroc's activities, emphasising ethical principles, transparency and accountability. To mitigate the corruption risks associated with operating in developing countries, Epiroc ensures regular rotation of its local managers.

Epiroc's goal of reducing its own emissions and supporting customers in achieving their sustainability targets reflects a proactive approach to environmental responsibility in an important sector. Epiroc shows how innovation and responsibility can drive progress towards a more sustainable world.

Active ownership across different sectors

Energy and utilities

The Funds' investment manager sets out to support the necessary green transition of global energy production and expects the same from investee companies. For this reason, the Funds' Management adopted a new Fossil Fuels Policy in 2023, leading to the exclusion of numerous companies and intensified active ownership processes vis-à-vis high-emission companies. Efforts are guided by the IEA's Net Zero Emissions by 2050 Scenario, which stipulates that no new coal mines or oil and gas fields can be developed, and that coals must be phased out of energy production in all OECD countries by 2030. The IEA predicts that fossil fuels will play an inevitable role in global energy production for years to come. The Funds' Management acknowledges this, along with the fact that companies involved in the exploration, extraction or production of fossil fuels today have the opportunity and an obligation to play an active and positive role in the green transition. The Funds' investment policy builds on the basic principle that companies acting in conflict with the IEA's conclusions will generally be excluded, but it remains an option to invest in specific and necessary renewable energy expansions and in companies that have credible transition plans. As a fundamental part of their active ownership of companies in the energy and utilities sector, the Funds continuously assess the individual companies' transition plans and their reliability.

Based on this, the Funds' investment manager engages with companies believed to have the potential to move in a more sustainable direction. Companies deemed not to have credible transition plans are excluded.

Finance

In the finance sector, the Funds' investment manager continued in 2024 to encourage several banks to ensure better alignment between their climate efforts and the ambition to promote the 1.5°C target. This involves discussions on overall commitments but also sector-specific policies on, for example, financing of fossil fuel activities. Despite the rising number of banks committing to climate targets relating to lending activities, banks are encouraged to set even clearer targets in the context of its market funding. In the dialogue with banks, particular emphasis is placed on encouraging them to lower their carbon emissions by supporting their customers' transition processes and reducing financing of activities deemed to not be headed towards meeting the 1.5°C target.

During the year, several of the banks included in the investment portfolios became even more concrete about how to ensure current alignment with their climate targets. Through their active ownership, including voting activities, the Funds have clearly supported shareholder proposals pushing for faster climate action in numerous large financial providers.

Examples of engagement via coalitions with other institutional investors

The Funds' investment manager engages with companies alone and also participates actively in climate-focused engagements through the investor initiatives Climate Action 100+ and Net Zero Engagement Initiative (NZEI). When the investment manager finds it relevant to engage with a company but cannot do so independently or collaboratively with other investors, a third-party service provider may be appointed to facilitate the engagement. The objective of engagement differs depending on the company's sector and specific climate challenges, and engagement may be escalated in alignment with the Funds' Active Ownership Policy.

At the same time, the Funds have a policy of voting at all general meetings and to incorporate climate considerations as an element of fulfilling the obligations of achieving climate-neutral investments, in terms of total assets under management (AuM), by 2050. The main contributor to this will be the individual companies' efforts to become climate neutral, but investments can also be made in activities that reduce GHG emissions and in companies with high GHG emissions. It is acknowledged that certain sectors, such as the materials sector, involve activities and products that are essential to society but resource-intensive. Therefore, it is accepted that sustainability assessments may vary depending on the sector, as some considerations may be more important than others.

DFDS

During 2024, the Funds have established a coalition with P+ on engagement with the shipping company DFDS. The Funds' investment manager and P+ engage with the company under the auspices of the Net Zero Engagement Initiative (NZEI) under the Institutional Investors Group on Climate Change (IIGCC). The Funds' investment manager plans to continue the engagement, and the focus is expected to be on areas related to the company's pathway to net zero emissions in line with the Paris Agreement, including specific benchmarks and capital allocation, with a number of other global institutional investors.

Volkswagen

In 2024, the Funds entered into a coalition with a number of other European institutional investors about Volkswagen. The coalition was set up as part of the Investor Alliance for Human Rights (IAHR) initiative. Engagement with Volkswagen focuses on the company's initiatives aimed at handling and minimising the risk of human rights breaches in the value chain. Specifically, focus is directed on the company's processes aimed at minimising the risks and on organisation and governance, looking especially at the composition of the company's board of directors, including its capacity to handle and minimise sustainability-related risks.

Examples of dialogue-based engagement with a focus on climate

The Funds have been engaging with the UK bank Barclays on financed emissions, with a particular focus on financing of oil and gas activities. In December 2023, the Funds and other investors co-filed a resolution at Barclays in relation to the bank's climate strategy. Subsequent to extensive engagement with Barclay's senior leadership, in February 2024 Barclays published a revised Climate Change Statement, which included a number of new commitments, including a halt to direct financing of upstream oil and gas expansion projects, and further restrictions on clients involved in oil and gas expansion. In response to the positive steps taken and the constructive dialogue, the Funds withdrew the resolution while the need for further steps was highlighted. Barclays is actively participating in the engagement and at the end of 2024, the Funds' investment management team met with the bank's CEO to discuss the bank's progress.

The Funds continue to have on ongoing engagement with the Swiss bank UBS. The Funds met the bank in April and discussed both UBS's decarbonisation targets for lending and the integration of Credit Suisse into the climate targets. Discussion specifically focused on UBS's targets for fossil fuels (oil, gas and coal) and financed emissions. While UBS notes that it is ahead of its emission reduction targets for the fossil fuel sector, the Funds argue that the policy could be more stringent in terms of financing of fossil fuel expansion projects. A key focus for UBS is the integration of Credit Suisse both into UBS's approach to climate specifically, but also into UBS's standards of governance and broader corporate culture.

At steel manufacturer ArcelorMittal, the Funds' active ownership is about transition and employee safety.

The engagement on climate proceeded during the year, including a site visit to a green steel technology facility in Belgium, and the company continues to make good progress on its development plans for zero-carbon steel.

Following a mine disaster in Kazakhstan, we initiated an engagement with the company on worker safety. For most of the year the company was undergoing a third party safety audit of its global businesses. Following the public release of the audit in October, the Funds had a call with the company to discuss the audit findings and to understand the milestones for the implementation of the audit recommendations. The engagement will now focus on the monitoring of these key milestones.

The value strategy – an overview

"In 2024, the dominant theme of our active ownership continued to be climate. Globally, there are still divergent views on climate and the need to transition, and the US presidential election exacerbated this polarisation," says David Orr, Senior Portfolio Manager of Sparinvest's Value team.

As one CEO noted, in early 2024 they simultaneously faced potential divestment from some UK pension funds for not doing or saying enough on climate, and faced blacklisting in certain US states for doing or saying too much on climate. These are not easy waters for companies to navigate. Nonetheless, the Funds think the scientific and long-term economic realities mean that it is in the long-term financial interest of companies to transition to lower emissions across their value chain. The Funds see signs of "greenhushing[1]" in some geographical areas, as the political environment causes some companies to tone down their public statements on sustainability. Yet even in such geographical areas, many companies are receptive to dialogue and continue their work on transition, highlighting that investment in the green transition is necessary in terms of long-term risk management, cost control and competitiveness.

In terms of climate engagement, focus is on high-emission companies in the portfolios. This includes companies in the Energy sector, the Materials sector (such as metals, cement and paper), and in other sectors such as Industrials. The Funds also engage with certain banks on climate, particularly in relation to their financed emissions. Whether through their loan book or capital market activities, banks play a significant role in financing their clients' emissions.

The Funds' investment teams held a number of meetings with the energy company Shell this year as part of the ongoing engagement. The company released its new sustainability plan earlier in 2024, and as part of this release it removed an interim emission intensity target for 2035. The Funds communicated their dissatisfaction with this removal to the company. However, the company did introduce a scope 3 absolute emission target. The previous strategy focused on emission intensity, which theoretically could allow a company to continue expanding its production of fossil fuels while pivoting away from oil and towards natural gas, so a key engagement ask had been the target setting for scope 3 absolute emissions. At the general meeting, the Funds supported the company's Energy Transition Strategy due to the incorporation of scope 3 absolute emissions targets. However, the

[1] Greenhushing is when an organisation or company does not dare to talk about their sustainable initiatives for fear of not doing enough or doing something wrong.

Funds also supported a shareholder proposal advising Shell to align its business strategy with the Paris Agreement.

Voting

Voting on climate, including companies' climate plans in 2024

In 2024, the Funds voted against the management's recommendations in 66% of the general meeting proposals concerning climate broadly defined. These general meeting proposals thus related to issues such as climate strategy, climate plans, integration of skills related to climate on the boards of directors and climate-related lobbying activities. In this context, the Funds voted on a number of proposals where the companies presented their concrete climate transition plans as a voting item at the general meeting. A company can either choose to present its own climate plan or present its plan as part of an ongoing dialogue with investors and/or other stakeholders who want shareholders to have the opportunity to express their views on the climate plan at the general meeting by either voting for or against it.

Voting against a climate plan allows the Boards of Directors of the Funds to signal to the company that some areas of the plan should be improved. The company could, for instance, clarify its ambitions and strategies by describing the concrete steps needed to realise its goals.

Voting in relation to human and labour rights and other social issues in 2024

The G in ESG continues to dominate at the companies' general meetings. This applies to proposals related to board composition, including diversity and independence. At the same time, an increasing number of agenda items concern social issues such as human and labour rights in addition to proposals that overlap with climate or governance-related issues.

In 2024, the Funds – via their investment managers – voted on 668 proposals at the companies' general meetings that were related to social issues alone or in combination with climate or governance-related issues. The Funds voted against the management's recommendations in 37% of cases. Voting activities are available on the voting portal (Sparinvest Voting Dashboard).

Latest news on SFDR

The Sustainable Finance Disclosure Regulation (SFDR) lays down a set of sustainability disclosure rules applicable to companies – both at the level of the company and the products. The rules are intended to provide investors with improved sustainability disclosures. In addition, the EU taxonomy entered into force at the beginning of 2022. The EU taxonomy defines activities that qualify as sustainable based on the EU's technical screening criteria and covers a total of six environmental objectives.

These environmental objectives are being incorporated into the products across the Funds, and necessary data are continuously collected.

In addition, as a natural part of implementing EU Sustainable Finance, the Funds focus on the following five initiatives:

1. Information about sustainability risks
2. Information about sustainable investments
3. Categorisation of financial products
4. Due diligence and risk management
5. Reporting information.

The scope of activities that qualify as taxonomy-eligible varies from one market to another. Our estimates show that 7.9% of investments in the portfolios across the Funds qualified as taxonomy-aligned at the turn of the year. This estimate includes the first two environmental objectives. These are primarily based on assessments made by the Funds' ESG data partner MSCI ESG Research. The Funds' Management informs their members about their respective proportion of sustainable investments across the investment funds. In order for an investment to be considered sustainable, the company must meet at least one of five defined criteria that support sustainable development. It should also meet sound corporate governance requirements and respect the "do no significant harm" principle. Read more about the management of the principal adverse impacts (PAI) here.

The Funds' Management has identified the following five criteria aimed to support sustainable development:

1. Positive contribution to one of the 17 Sustainable Development Goals (SDGs); or
2. More than 20% of income comes from products that contribute to sustainable development; or
3. More than 20% of income comes from activities that contribute to the EU's sustainability targets; or
4. A verified Science Based Target of reducing environmental impact; or
5. A board of directors on which the underrepresented gender represents at least 40%; however, only 20% for developing countries. The Funds' Management will regularly report on the proportion of investments in the individual portfolios that meet these sustainability requirements.

Principal Adverse Impacts (PAI)[2] disclosures for 2024

The Funds' investment manager has updated its PAI statement for 2024. The statement is available here.

As a minimum, the investment solutions must adhere to the Sustainable Investment Policy.

The Sustainable Investment Policy reinforces initiatives within active ownership, including engagement, voting and escalation. This entails, among other things, that active ownership is exercised to mitigate potential adverse developments.

This implies attempting to influence companies to take actions such as reducing carbon emissions, enhancing board diversity, ensuring good working conditions and fighting corruption. Management's approach to PAI is further strengthened by internal management reporting on the PAI indicators. The status of the PAI indicators is reported quarterly to the Sustainable Investment Forum, which evaluates whether there is a need to initiate corrective actions, for example if the PAI indicators show negative trends.

At the same time, the majority of the Funds set specific targets for the expected minimum proportion of specific sustainability requirements, as stated in the individual prospectuses. For Funds having set a sustainability target in addition to their performance target, the target will be 100%. Read more about our methodologies here.

[2] The EU regulations' concept "Principal Adverse Impacts".

Management of PAI

The investment processes of the Funds' Management includes information about PAI. 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.

In 2024, the Funds' Management 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 portfolio companies through voting at general meetings, where, for example, the theme "Excessive CEO pay ratio" has been on the agenda at more than 2,000 general meetings at which the Funds have been represented. At more than one in four general meetings, the Funds voted against the recommendations of the board of directors.

The prioritisation is reflected in the parts of the investment process where the Funds through their investment manager have the highest possible impact through screening procedures, active ownership and exclusions.

The Funds have a governance structure for managing sustainability issues. If a company does not comply with management's general or product-specific sustainability guidelines, it will be excluded, or we will engage with the company. Thus, decisions are made on identification, management and prioritisation of PAI.

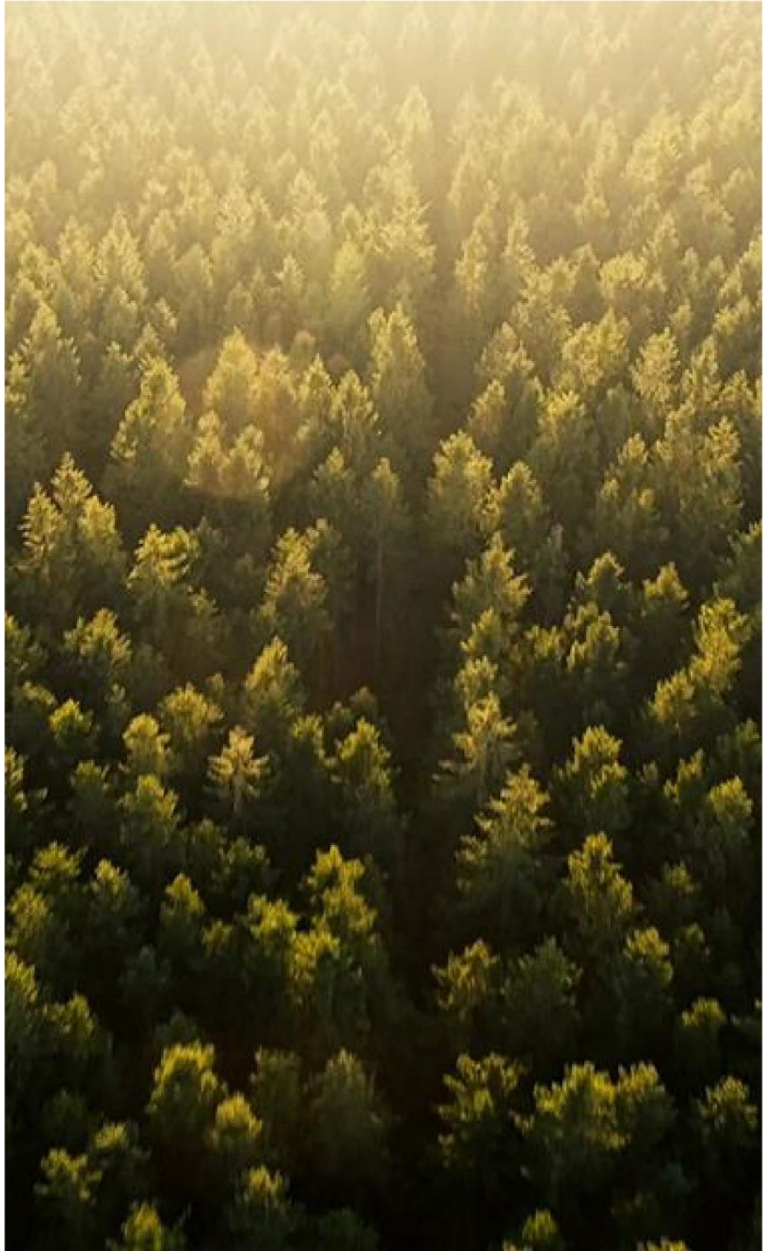
New definition of corporate governance

In September 2024, the Funds partially implemented a new definition of corporate governance, applicable to all investment products in accordance with the Sustainable Investment Policy.

The procedure for assessing corporate governance in the investee companies is based on a corporate governance test. Investee companies failing the corporate governance test will be excluded from all investment products included in Funds covered by this report.

The corporate governance test covers five parameters of corporate governance, including management structures, governance structures, employee conditions, employee remuneration and tax compliance. Each parameter is supported by three to seven underlying indicators, which the Funds' Management – based on their materiality to the overall parameters and data availability – has found to be relevant for assessing a company's compliance with the respective parameters. A further description of the definition can be found in the methodology document "Methodologies related to Sustainable Investments", which is available here.

The definition is partly implemented by the fact that all investee companies that fail the test are on the Sparinvest Funds' general exclusion list. The new definition will be incorporated into the subfunds' pre-contractual information in 2025.



GHG emissions from the Funds

As at 31 December 2024

Investments, Sparinvest Funds

Business volume (DKK billion)	199
Coverage ratio (%)	89
Emissions (ktCO_2e)	1,265
Weighted Average Carbon Intensity (WACI)*	11

The statement includes Scopes 1 and 2, which are emissions from the companies' own consumption of fossil fuels as well as emissions from, among other things, electricity consumption. Alternatives are not included in the emission inventory.
*The statement includes excluded shares and corporate bonds.

Greenhouse gas emissions from investment portfolios

The Funds' investment portfolios are managed with a view to lowering carbon emissions and making them climate-neutral by 2050. The emission intensity across all investments must be down by 60% by 2030 with 2020 as base year. Carbon emissions from investments are continuously measured and the data are included in investment considerations. The Funds publish the total climate footprint of investments in all portfolios in compliance with Finance Denmark's CO_2 model and based, among other things, on data from the Carbon Disclosure Project, data reported by bond issuers and data provided by the Funds' data provider MSC ESG Research.

At this point, statements primarily include investments in listed equities, corporate bonds and mortgage covered bonds, which make up the main part of the Funds' total investments. The Funds' investment manager works with managers of Funds investing in private equity and infrastructure to obtain good emissions data and also participates in initiatives launched by Finance Denmark and the IIGCC climate network to establish a method for determining government bond emissions.

Illiquid alternative investments

In respect of alternative investments, for example infrastructure and private equity, sustainability considerations and ESG policies are elements of the Funds' investment decision process. However, special conditions apply to the handling of sustainability in this asset class due to the illiquid nature of the investments.

Collaborating with other professional investment fund managers on actively seeking to improve the climate footprint of underlying investments ensures, among other things, a proactive approach to working with non-financial factors. The Funds' investment manager performs due diligence through follow-up meetings with the individual asset manager of the underlying investment fund to monitor development of the investments, including reporting within a number of ESG criteria. In the event of inconsistency with the Funds' policy in the area, the Funds' investment manager will liaise with the asset manager to influence the handling of the situation and to ensure full transparency.

Due care for human rights and international law

The Funds' Management expects the investee companies to comply with international law, including human rights law. Every quarter, more than 10,000 different securities are screened according to international norms and conventions. When a risk of a breach is identified, engagement can be initiated to try to get the company to solve the problem.

At the end of 2024, we had engagements with a number of companies in the form of norm-related engagement. The Funds' investment manager generally seeks to sustain the long-term value of our investments, encouraging companies both to mitigate sustainability risks and exploit sustainability opportunities.

During the year, we have also had a number of engagements about management of sustainability risks within international standards, climate or other sustainability risks.

Exclusion of companies

New companies on the exclusion list include manufacturers of tobacco, which are deemed to be in conflict with the UN's objective of reducing smoking-related deaths. The exclusion list is available on sparinvest.dk and sparinvest.lu and can be found in the section "Overview of the exclusions from the Sparinvest Funds as of 31 December 2024" at the bottom of the report. In 2023 and 2024, the Funds' investment adviser excluded more than 400 oil, gas and coal companies.

Currently, more than 1,400 companies appear on Sparinvest's exclusion list. These companies fall, among other things, into five cause categories:

Fossil fuels

Tobacco

Sanctioned companies

Weapons

Human rights

Sustainability assessments as an integrated part of the investment process

The Funds' Management has zero tolerance for any type of corruption. This is in natural extension of the principles of financial sustainability, which form the foundation of our corporate responsibility practices. The Funds' investments comply with a clear and ethical framework. The UN Global Compact initiative and its 10 principles for corporate enactment of core values in the areas of the environment, climate, human rights, labour standards, anti-corruption, social responsibility and corporate governance, which the Funds' investment manager has adopted, also declare that businesses should counter corruption in all its forms, including financial exploitation and bribery (the 10th principle).

Investor network for responsible investment and international partnerships

Through their investment managers, the Funds are members of a string of networks and partnerships in concert with other investors with the aim of promoting and developing sustainable investment. Networks include the UN PRI (Principles for Responsible Investment), which Nykredit joined in 2009. Nykredit has been a signatory to the UN Global Compact since 2008 and was one of the founding signatories to the UN Principles for Responsible Banking in 2019. Furthermore, Nykredit is a member of Dansif, Eurosif and several trade organisations, including Finance Denmark. Also, Sparinvest has contributed to and supports the Danish Investment Association's trade recommendation for minimum handling of sustainability. In seeking to achieve Nykredit's climate target for investments, the Funds' investment adviser has become a signatory to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

These recommendations are a central element of the investor network Climate Action 100+, in which the Sparinvest Funds have been an active participant since its inception. The Sparinvest Funds are also members of IIGCC and have joined NZAM, which obliges investment fund managers to achieve climate neutrality by 2050, set interim targets for 2030 and contribute to the development of methodologies. The Funds' investment manager also works with other frameworks and sustainability certifications, including Towards Sustainability.

Anti-Corruption Policy

The Anti-Corruption Policy aims at ensuring that all staff support conduct and work ethics that reflect the highest standards of personal and organisational integrity, internally as well as externally in our dealings with all our business partners. The Anti-Corruption Policy is supplemented by other internal guidelines, business procedures and policies.

Read more about the policy here.

Risks of negative impact on society

The Funds and their members have investments in around 7,500 companies across the world. Such broad exposure entails many different risks. These risks include financial exposure and a risk of indirect involvement in breach of international standards as defined by the UN and the OECD and a risk that the companies do not act in line with sustainable development principles. Some of these risks are also defined using the concept of Principle Adverse Impact (PAI) under EU regulations, which we handle through engagement with the relevant company to encourage changes in conduct and, ultimately, consider exclusion.

The Funds' risks relating to potential breaches of international standards reflect risks in the global markets and across sectors. Therefore, all investments are subjected to quarterly screening. No minimum has been set for the number of attempts to remedy breach. In the event that a company acts in breach of international standards, the Funds will choose to engage with the company in question, irrespective of the size of the investment. Management remains very aware of special risks faced by particular sectors.

One example concerns mining companies, which historically have faced challenges related to corruption and pollution, or certain tech companies, which allegedly have failed to secure citizens' right to privacy. The Funds' Management believes that climate changes and the consequences of the green transition pose the greatest risk. Efforts to tackle these risks are described in further detail above.

Accounting policies

Data sources from a number of third parties are used to measure the indicators. The Funds' primary provider of ESG data and analyses is MSCI ESG Research. Sustainalytics is external adviser on controversies and active ownership, and ISS provides analyses of public limited companies in relation to voting activities. In addition, reported data from the issuers are used where no other data are available, or where it is deemed that issuer data are of higher quality. Data from other external parties such as authorities, media or NGOs can be used, and due diligence is performed on all data sources.

The Funds' investment manager also applies data sets issued by public authorities or organisations, provided that such data are deemed to be reliable. When using this type of data, the source is indicated in the reporting.

The Funds' investment manager applies the Danish Investment Association's trade recommendation for minimum handling of sustainability for reporting at fund level and in the overall reporting. All data sources are subjected to critical assessment in the form of a due diligence procedure.

Data on environmentally sustainable activities under the EU taxonomy was only available to a limited extent at the time of reporting.

Data sets issued by public authorities or organisations are also applied, provided that such data are deemed to be reliable.

When applying this type of information, the source is included in the reporting. EU taxonomy alignment and eligibility of equities and corporate bonds are determined based on data from MSCI ESG Research. For mortgage bond issues, data are collected from the issuers, which are primarily based on the energy labelling of the financed homes. Read more about methodologies and data handling in the investment adviser's methodology paper here.

Derivatives and futures:

Derivatives and futures are included if the instruments follow a defined benchmark with underlying identifiable physical assets. This is of particular relevance to the Funds' hedge funds that hedge investments using derivatives and futures of this kind. This means that the coverage ratio in the Funds is low, and therefore, reporting does not give a true and fair view. Work is being done to develop methods in this area.

Alternative investments:

The coverage of alternative investments, which comprises infrastructure and private equity, is limited. This means that emission calculations for this asset class are not possible for the time being. We are in dialogue with investment fund managers in the underlying investment funds with a view to receiving the data required for the calculations.

Coverage ratio:

Proportion of investment activities included in the calculation.

Emission intensity:

Financed emissions divided by investments included in the calculation.

Taxonomy reporting:

The taxonomy reporting has been presented in accordance with Article 8 on sustainable economic activities of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (the Taxonomy Regulation) and the related Delegated Regulation ((EU) 2021/2178) on disclosure. The reporting has been prepared using carrying amounts.

Sustainable investments:

We use terms and methodologies recommended by UN PRI as well as the Danish Investment Association's trade recommendation for minimum handling of sustainable investments for reporting at fund level and in our overall reporting.

Data on the sustainability characteristics of issues and issuers:
MSCI ESG Research is the main provider of sustainability data used in analyses, both in the investment process and in this report. Sustainalytics is the Funds' partner when engaging with companies for breach of international standards. Sustainalytics provides supplementary data on the relevant case, along with an assessment of its progress. ISS provides analyses prior to general meetings of public limited companies to be used in voting decisions.

ISS also provides voting statistics for this report. We also use data sets issued by public authorities or organisations. Due diligence is performed on all data. When applying this type of information, we include the source in our reporting. EU taxonomy alignment and eligibility of equities and corporate bonds are determined based on data from MSCI ESG Research. Sparinvest has collected the data on mortgage bond issues. Identification is based on the taxonomy of housing, particularly energy labelling.

Voting activities

Fund participation in general meetings
The proportion of general meetings in which the Funds participated is determined relative to the total number of general meetings held.

Climate-related proposals for general meetings
Climate-related proposals for general meetings are calculated on the basis of data from Sparinvest's proxy voting provider, Institutional Shareholder Services (ISS). In this context, climate-related proposals for general meetings are limited to proposals classified by ISS under the categories "E" and "E, S". In addition, a selection of the proposals submitted in the category has been evaluated by reviewing the content of the underlying research reports from ISS that describe the content of the proposals.

Companies may hold more than one general meeting per year. The position may be purchased after the general meeting. If so, the Funds are not entitled to vote, and the general meeting will not be included in the statement. The Funds cast their votes through ISS's voting platform. A vote is included in the statement when the Funds' vote has been registered and approved by ISS, which is the Funds' provider in the area.

Mortgage covered bonds:

Sparinvest has collected data directly from issuers of mortgage covered bonds to calculate emissions. Data is based on the reporting of the cover pools from which the bonds are issued. For investments in mortgage covered bonds, scope 1, 2 and 3 emissions are all included. Mortgage lending is exclusive of foreign lending. The calculation of carbon emissions related to the mortgage portfolio follows the principles of the two methods for mortgage loans and business loans of Finance Denmark's CO_2 model, see "Lending". For energy-labelled buildings that are not labelled as industrial or agricultural, carbon emissions are estimated as a function of: energy label (energy consumption), heat source (emission factor) and size (square metres).

For buildings in the above categories, which do not have an energy label, the energy consumption is estimated based on buildings with similar characteristics, such as building type, year of construction, municipality and heat source.

Equities and credit bonds:

The valuation of companies applied in the weighting of equities and credit bonds is based on the Enterprise Value Including Cash (EVIC) method referred to in the European Banking Authority's technical standards for investment key figures. Carbon data is provided by MSCI ESG Research, which provides data on the basis of disclosures from companies and the CDP.

Government bonds, cash and other investments:

Sparinvest's coverage of these areas is limited due to the absence of a Danish or internationally recognised method for calculating the climate footprint of these asset classes. The Funds are working to develop a method for these areas.

Key figures of individual Funds

Fund	Investeringsforeningen Sparinvest	Sparinvest SICAV	Værdipapirfonden Lokalinvest	Værdipapirfonden Sparinvest
Number of norm-related engagements	28	12	24	10
No of general meetings where votes were cast	4,592	1,728	2,981	1,352
Voting: % votes against the board of directors' recommendations	23	21	23	22
Total emissions per million invested	6.0	7.6	4.5	4.4

Norm-related engagements are determined on the basis of data from an independent service provider, where engagements with activities during the reporting year are included.

Climate footprint of the Funds' subfunds

as at 31 December 2024

Fund	Subfund	CO2e emissions/ EUR million invested	Weighted average CO_2e intensity, revenue (EUR)	Data coverage (CO2e emissions/ EUR million invested)	EU Taxonomy Alignment
Investeringsforeningen Sparinvest	Housing	10.2	0	76.9%	11.6%
	Bæredygtige Aktier Akk. KL	4.6	38.2	100%	9.9%
	Bæredygtige Aktier KL	4.6	38.2	99.9%	9.8%
	Bæredygtige Value Aktier KL	60.2	72.9	99.8%	3.1%
	Bæredygtige Virksomhedsobligationer IG KL	27.9	65.4	95.4%	8.2%
	Danske Aktier KL	67.1	78.9	99.6%	9.1%
	Globale Fokusaktier KL	5.9	44.8	100%	7.8%
	Index Bæredygtige Japan KL	17.2	46.1	99.9%	7%
	Index Dow Jones Sustainability World KL	39.7	116.3	100%	8.5%
	Index Emerging Markets KL	79	239.7	100%	3.5%
	Index Europa Growth KL	14.7	49.6	98.4%	4.2%
	Index Europa Small Cap KL	83.3	96.4	98.4%	7.9%
	Index Europa Value KL	85.8	125.1	99.9%	5.7%
	Index Globale Aktier Min. Risiko KL	29.5	110.1	99.8%	4.6%
	Index OMX C25 KL	52	65.6	100%	9.9%
	Index Stabile Obligationer KL	14.3	0	82.8%	14.4%
	Index USA Growth KL	5.17	26.6	99.4%	17.5%
	Index USA Small Cap KL	45.8	173.1	97.5%	3.1%
	Index USA Value KL	24.4	85.8	99.9%	3.1%

	Korte Obligationer KL	37.3	0	84.5%	13.1%
	Lange Obligationer KL	8.39	0	74.6%	10.4%
	Mellemlange Obligationer KL	11.8	0	81.7%	12.2%
	Mix Aktier KL	37.2	55.3	99.4%	6.9%
	Mix Høj Risiko KL	35.1	62.7	88.6%	8%
	Mix Lav Risiko KL	33.8	77.1	78.8%	9.2%
	Mix Maksimum Risiko KL	37.1	59	94.9%	7.8%
	Mix Mellem Risiko KL	33.3	67.9	83.1%	8.4%
	Mix Minimum Risiko KL	36.7	84.6	77.7%	10.1%
	Mix Rente KL	45.3	197.2	73.5%	11.2%
	Nye Obligationsmarkeder KL	125.4	249.5	5.2%	0%
	Value Aktier KL	104	99.7	100%	3.5%
	Value Emerging Markets KL	56.5	106	95.3%	1.8%
	Value Europa KL	169.3	141.2	100%	3.8%
	Virksomhedsobligationer HY KL	118.8	200.6	72.4%	1.4%
	Virksomhedsobligationer HY Kort KL	126	220.4	75.3%	1.7%

Climate footprint of Funds as at 31 December 2024 – continued

Fund	Subfund	CO2e emissions/ EUR million invested	Weighted average CO_2e intensity, revenue (EUR)	Data coverage (CO2e emissions/ EUR million invested)	EU Taxonomy Alignment
Sparinvest SICAV	Ethical Emerging Markets Value	35.2	89.9	96%	1%
	Equitas	41.5	57.8	99.4%	7%
	Ethical Global Value	118.9	105.7	100%	3.8%
	European Value	172.9	144.8	100%	3.8%
	Sustainable Corporate Bonds IG	29.5	62.4	98.1%	7.8%
	Long Danish Bonds	11.4	0	75.6%	11.9%
	Balance	33.1	66.7	84.9%	5.6%
	Procedo	35.8	62.7	90.1%	8.1%
	Securus	35.9	77	80.7%	9.5%
	Minimum	41.3	86.8	80.1%	10.5%
	Global Convertible Bonds	71.3	88.1	93.6%	11.4%
	Global Value	105.1	100.6	100%	3.5%
	Global Short Dated High Yield	127.4	223.3	74.6%	1.7%
	Global Ethical High Yield	124.6	210.1	70.4%	0.9%
	Danish Equities	67.1	78.8	99.6%	9.1%
	Global Focus Equities	5.8	44	100%	7.7%
	Global Stable Focus Equities	2.7	12.2	100%	4.1%
Værdipapirfonden Lokalinvest	SparKron Invest Moderat KL	33.3	75.1	79.3%	9.1%
	SparKron Invest Vækst KL	32.6	62.9	85.9%	8%
	SparKron Invest Offensiv KL	34.1	61.7	88.7%	8%
	SparKron Invest Stabil KL	36.6	85.1	77.4%	10.1%
	SparKron Invest Maksimum KL	36.7	59.1	94.6%	7.8%
Værdipapirfonden Sparinvest	INDEX Lav Risiko KL	24.6	81.7	45.1%	5.4%
	INDEX Bæredygtige USA KL	7.6	46.1	99.8%	12.8%

	INDEX Mellem Risiko KL	25.1	82.6	70.9%	8.1%
	INDEX Høj Risiko KL	26.6	82.6	80.1%	8.1%
	INDEX Bæredygtige Europa KL	21.5	52.5	99.8%	9.6%
	INDEX Globale Aktier KL	35.6	84.3	98.8%	8.4%
	INDEX Globale Aktier Min. Risiko Akk. KL	29.5	110.2	99.8%	4.6%
	INDEX Bæredygtige Global KL	20.2	72.2	99.7%	11%
	INDEX Bæredygtige Virksomhedsobligationer HY KL	51.3	78.6	99.8%	6.8%
	INDEX Emerging Market Bonds Lokalvaluta	0	0	6%	0%
	INDEX Emerging Market Bonds Lokalvaluta Akk.	0.02	0.44	7.4%	0%
	INDEX Emerging Market Bonds	158.7	258.4	2.1%	0%
	INDEX Emerging Market Bonds Akk.	96.5	184.2	4.4%	0%

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