Responsible investment and active ownership policy

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1. Introduction

This policy contains AL Sydbank's overall principles for exercising active ownership, including in particular the concrete work with responsible investment and promotion of sustainability.

AL Sydbank's role as an institutional investor entails an obligation to exercise its investment decisions on the basis of a clear policy in the area, which includes requirements as to on-going monitoring of companies, procedures as to when a case is to escalate to direct dialogue with the company, collaboration with other investors to promote responsible investment and active voting at companies' general meetings.

AL Sydbank strives to comply with these basic principles and obligations.

AL Sydbank explicitly addresses the long-term ambition that customers' assets must be invested in compliance with the goals of the 2015 UN Climate Change Conference (the Paris Agreement) to limit a rise in global temperatures to between 1.5 and 2 degrees Celsius.

AL Sydbank's policy in this area reflects the Bank's current ambitions as regards sustainable investment. In particular the policy provides for a framework for future efforts concerning ESG issues and sustainability which transcend the existing minimum requirements and which are therefore not necessarily fully in place on approval of this policy.

AL Sydbank is aware of its obligation to report regularly on developments in its work regarding responsible and sustainable investment and does so in an annual report on active ownership, which is published on the Bank's website.

This policy comprises any investment activity undertaken by AL Sydbank either by way of investment of the Bank's own portfolio or customers' assets under a direct mandate as well as the Bank's investment advice to institutional clients.

2. Sustainability risks

The whole foundation of the responsible investment and active ownership policy is to establish a responsible investment process that takes into account the most financially material sustainability risks. In our assessment incorporating sustainability risks into the investment process helps to ensure that our investment clients achieve the best possible risk-adjusted financial return. Financially material sustainability risks are included in the investment decision process in line with other financial risks because we believe that the most financially material sustainability risks may have a potentially large negative impact on the value of an investment.

A sustainability risk is defined as an environmental, social or governance event or circumstance which, if it occurs, could have an actual or a potential negative impact on the value of an investment.

The companies in our investment universe are facing a very large number of sustainability risks. Consequently we must be able to identify the most significant sustainability risks for the individual company. In order to identify sustainability risks in our investment decision process we use the concept of financial materiality to ensure that we take into account the sustainability risks that may have the largest negative impact on the value of our investments.

The persons responsible for investments have access to sustainability analyses prepared by an external business partner. The analyses summarise the most financially material sustainability risks within environmental, social and governance (ESG) issues. An ESG score is assigned to companies according to their ability to tackle the most significant sustainability risks. The ESG score forms part of the overall investment decision process. This enables us to ensure that the investment process takes into account the most material sustainability risks. If our external business partner is not able to provide an ESG score the persons responsible for investments must take into account the most financially material sustainability risks. Consequently financially material sustainability risks will be included in line with other types of risks when the person responsible for investments is to assess the investment in question.

As regards AL Sydbank's overall investment portfolio it is our assessment that greenhouse gas emissions are the problem associated with the largest single sustainability risk. Greenhouse gas emissions may have a potentially large negative impact on the value of our investments. Climate change driven by greenhouse gas emissions may contribute to more extreme weather which could affect companies' physical assets, eg production facilities. In addition companies with a high level of greenhouse gas emissions may be charged indirect taxes as regards these emissions or be outperformed by new technological solutions in the transition to a less emission-intensive global economy. This could have vast consequences for the earnings capacity of the individual company and therefore also our investment. As a result our efforts are targeted at reducing greenhouse gas emissions from our overall investment portfolio in order to minimise this sustainability risk and ensure the best risk-adjusted financial return for our customers. We apply exclusion-based investment strategies as well as investment strategies focusing on active ownership to mitigate the sustainability risk associated with greenhouse gas emissions. In order to reduce greenhouse gas emissions from our overall investment portfolio, we have, on the basis of the sector recommendation issued by Finance Denmark, established a clear emissions reduction target to ensure that emissions are aligned with the requirements set out in the Paris Agreement. We continuously monitor the total greenhouse gas emissions associated with our investment portfolio and review the level at least four times a year at meetings of our Responsible Investment Committee (RI Committee).

Examples of other types of sustainability risks that may affect the value of our investments include lack of climate change adaption, violation of human rights or workers' rights, environmental pollution, strain on biodiversity, waste management in industrial production, product safety and data security as well as inadequate corporate governance. There may be other types of sustainability risks than those listed which could have a material adverse impact on the value of our investments.

Sustainability risks are associated with all types of investments. Other things being equal sustainability risks will however be greatest when investing in equities and corporate bonds and less so when investing in government bonds and Danish mortgage bonds backed by real property. Investments in emerging markets are generally considered to carry higher sustainability risks than investments in mature markets.

Most significant method to incorporate sustainability risks of individual asset classes

- **Shares** – ESG score and added focus on greenhouse gas emissions
- **Corporate bonds** – ESG score and added focus on greenhouse gas emissions

- **Danish mortgage bonds** – In our assessment there are very few financially material sustainability risks in this asset class. Where data allow, we continuously calculate and monitor the CO_2e footprint associated with our investments in Danish mortgage bonds backed by real property.
- **Government bonds** – Rating model developed by the bank which takes into account significant sustainability risks in the individual countries. On the basis of the model an ESG score is assigned to the countries which forms part of the overall investment decision process.

Overall assessment of sustainability risks in our investment portfolio
The overall sustainability risks as regards our investment portfolio are assessed on the basis of an aggregated ESG score. We continuously monitor the overall sustainability risks in our investment portfolio. The greenhouse gas emissions associated with the investment portfolio are managed through our emissions reduction target and we continuously assess the overall level of emissions.

3. Responsible investment objectives

- We take into account the investments' financially material sustainability risks to ensure that our customers receive the best possible risk-adjusted financial return.
- We will manage our investments responsibly through a systematic monitoring of and follow-up on violations of international norms and conventions.
- We take responsibility for our shared future. We will work towards customers' assets gradually being invested in companies and activities which comply with the goals of the 2015 UN Climate Change Conference (the Paris Agreement).
- We are committed to establishing a dialogue with companies. We engage in constructive dialogue as regards conduct in conflict with international norms or when a company's ESG issues involve significant risks.
- We will support engagement in our active ownership specifically by voting at general meetings. We will report on the results and challenges of our efforts.
- We will earn and keep the trust of our customers and stakeholders by being transparent in terms of the responsibility we assume as asset managers.
- We will work continuously to develop new methods and products to promote positive developments in society based on a responsible investment process and active ownership.

4. Overall principles for responsible investment

AL Sydbank invests responsibly by taking into account so-called sustainability factors. These are factors related to human rights, environmental issues, social conditions, corporate governance and strong institutions, also known as ESG factors. These factors must be incorporated in all investment decisions so that AL Sydbank can identify and take into account sustainability risks. We consider sustainability risks as part of the overall risk scenario in the investment decision process because material sustainability risks may have a negative impact on the value of an investment.

AL Sydbank's principles for responsible investment and active ownership are directly related to the overall investment process encompassing all types of assets in which the Bank is involved.

UN Principles for Responsible Investment (PRI)

In 2010 AL Sydbank became a signatory to the UN Principles for Responsible Investment, which summarise our obligations as follows:

1. **We will incorporate ESG issues into investment analysis and decision-making processes.**

   Principle 1 means that our investment decisions are not only based on financial key figures but also on an assessment of a company's actions within environmental, social and governance issues.

2. **We will be active owners and incorporate ESG issues into our investment policies and practices.**

   Principle 2 means that we monitor companies on an ongoing basis in terms of violations of conventions or norms and attempt to influence these companies to change their conduct.

3. **We will seek disclosure on ESG issues by the entities and countries in which we invest.**

   Principle 3 means that we actively encourage companies to be transparent as regards responsibility.

4. **We will promote acceptance and implementation of the principles within the financial sector.**

   Principle 4 means that we contribute to responsibility being high on the agenda of the financial sector.

5. **We will work together to enhance our effectiveness in implementing the principles.**

   Principle 5 means that we support and take active part in sharing knowledge and solving current problems in the area.

6. **We will report on our activities and progress towards implementing the principles.**

   Principle 6 means that we are open – eg via reporting or engagement – about our process and initiatives within responsible investment. Moreover we must create transparency as regards the management of our active ownership (principle 2) – including the number of cases and their progress.

5. Responsible investment process

AL Sydbank has established an overall process to ensure that investment decisions take into account the most financially material sustainability risks. For a more detailed description of how investment risks are managed, reference is made to the investment product's prospectus or pre-contractual document.

The process focuses on active ownership, which may cover a wide range of activities from monitoring of companies in the portfolio, engagement with companies, collaboration with other investors to voting at general meetings. Being an active owner entails that we continuously take an analytical and constructive approach to what we invest in.

Responsible investment process – fundamental elements:

- **Screening**
  - Systematic monitoring of violations of international conventions and norms.
  - Systematic monitoring to ensure that we invest only in companies that form part of our investment universe.
- **Exclusion**
  - Ongoing updating of our exclusion list, which sets out the companies that we consider it necessary to exclude from our investment universe.
- **Analysis**
  - Identification of fundamental and market-determined financial risks with a view to identifying potential investment opportunities.
  - Integrated ESG analysis of sustainability factors with a view to uncovering the extent of specific sustainability risks.
- **Constructive engagement**
  - Constructive engagement targeting a company's management with a view to changing unacceptable conduct or promoting sustainable and responsible developments in the company in general.
- **Voting**
  - Voting at general meetings where AL Sydbank has ownership interests.
  - AL Sydbank votes at general meetings as regards a large proportion of its overall portfolio of shares but it does not vote at all general meetings. We select the companies according to a principle of proportionality focusing on the size of the investment, our engagement activities and our wish to promote sustainable investment.
- **Reporting**
  - ESG-based reporting to AL Sydbank's investors, customers and stakeholders.
  - Annual active ownership report published on AL Sydbank's website.
  - Annual climate reporting as part of AL Sydbank's annual report.
- **Share lending prohibited**
  - Due to the risk of being used for unethical purposes (including dividend washing) AL Sydbank does not make use of share lending as regards the Bank's direct investment in shares.

AL Sydbank's responsible investment process is based on a combination of qualitative and quantitative analyses that result in a specific investment decision. Separate policies are linked to the screening and exclusion, constructive engagement, voting, and climate reporting elements. The policies are described in the following sections.

The Bank supports the investment process using a number of tools putting the persons responsible for investments in a position to monitor, analyse and select responsible investments across different types of assets. Where relevant and value creating we use external advisers and business partners. In other areas AL Sydbank develops and maintains the tools to support its responsible investment efforts. Appendix 1 to this policy contains a list of current business partners grouped according to the above elements of the process.

6. Policy for screening and excluding companies

The policy has as its basis that all companies in which AL Sydbank has invested must comply with the following international norms and conventions:

- **UN Global Compact**
  10 principles regarding the environment, anti-corruption, workers' rights and child labour, human rights etc.
- **UN Universal Declaration of Human Rights**
  For instance the prohibition of forced labour and discrimination, the right to a fair trial and freedom of speech.
- **OECD Guidelines for Multinational Enterprises**
  For instance how companies limit the adverse impact from their activities as well as how companies are encouraged to contribute to economic, social and environmental progress.
- **ILO conventions on dignity of workers**
  For instance conventions on the abolition of child labour, discrimination, forced labour and the right to join trade unions.
- **International weapons conventions**
  For instance cluster weapons, land mines, chemical weapons, biological weapons and nuclear weapons not covered by the treaty on the non-proliferation of nuclear weapons (NPT).

AL Sydbank conducts regular screening of companies as regards suspicion of and confirmation of violations of norms. In connection with confirmed or suspected serious violations of the above conventions AL Sydbank will generally engage with the company. However certain types of norm violations will automatically lead to exclusion from our investment universe, including companies that produce or are commercially involved in controversial weapons and thereby violate international weapons conventions.

AL Sydbank does not generally consider divestment of shares in companies to be an effective means of influencing companies to adopt more responsible business practices. We believe that engaging with these companies is more effective. However divestment may be a possibility if a company is not willing to engage in dialogue in order to solve the problems or if engagement proves ineffective despite persistent attempts. As a general principle, companies that proactively implement adequate remedial measures will not be subject to divestment, regardless of their willingness to engage.

Companies considered to be incompatible with AL Sydbank's principles for responsible investment and excluded from our investment universe comprise:

- Companies in violation of international weapons conventions
- Companies with a turnover exceeding 5% from production of thermal coal
- Companies with a turnover exceeding 5% from production of oil sand
- Companies with a turnover exceeding 5% from production or distribution of tobacco

AL Sydbank regularly discloses on its website which companies it has excluded and the reasons for their exclusion.

We aim to exclude the companies from our active as well as from our passive management strategies. However it is not possible to fully guarantee that companies on our exclusion list are not part of the index funds or ETFs that are included as part of the investment strategy of some of our investment products. Other things being equal, when selecting index funds and ETFs, we will always select funds and ETFs that are the best possible match with this policy. We monitor on a regular basis our indirect investments in companies on our exclusion list to make sure that their value always only represents a minimal share of our total investment portfolio.

7. Active ownership policy – Engagement

AL Sydbank collaborates with other responsible institutional investors on active and constructive engagement as regards the companies we invest in. This work is carried out via a business partner specialised in ESG analysis and engagement with companies. The business partner identifies the current cases, contacts the companies responsible and sets clear objectives for a constructive solution to specific problems or challenges uncovered in the fundamental sustainability analysis. Engagement is structured according to a systematic strategy, with progress monitored through clearly defined milestones over the course of the engagement.

AL Sydbank monitors the invested companies for violations of norms and reviews an external evaluation of their ESG risks. In the event of serious violations of international norms our business partner will always engage with the company. The following is common to all engagement initiatives through our business partner:

- The purpose of engagement is to limit companies' risks and potentially increase the financial return.
- Engagement must be a constructive collaboration with the managements of the companies in question and to the extent possible be subject to a risk-based analysis of ESG issues.
- When possible engagement must be undertaken in collaboration with other responsible institutional investors to achieve the highest possible effect of the intended influence on management.
- If the engagement with controversial companies does not lead to a constructive dialogue and a development towards a solution to the problems, the shares must be sold as a general rule.

AL Sydbank wishes to make a targeted effort as regards violations of widely recognised international conventions and norms. The aim is to influence the companies in which AL Sydbank has invested to act more responsibly thereby mitigating the sustainability risks of the investment. AL Sydbank generally believes that it is possible to promote more responsible business practices through engagement and that dialogue regarding ESG matters can help support strong long-term risk-adjusted investment returns.

When our business partner engages with a company, engagement takes into account the specific case, the company's business model and the culture of the country or industry. AL Sydbank continuously monitors ongoing engagement activities to ensure that progress is made according to the milestones over the course of the engagement defined by our business partner. We receive ongoing analysis and advice from business partners to supplement the Bank's internal analyses. It is up to AL Sydbank to decide which influence, if any, the advice will have on investment decisions.

Engagement with companies takes different forms involving a degree of escalation. The most important are:

- regular correspondence via email with companies
- conference calls with companies
- meetings with company managements and experts in the field
- submission of or endorsement of investor resolutions to be presented at companies' general meetings
- voting at companies' general meetings.

8. Active ownership policy – Voting

AL Sydbank's fundamental investment philosophy is based on active ownership. We believe that voting at companies' general meetings is an important element of our overall interaction with the companies we have invested in. The managements of companies are usually susceptible to the positions and demands of their owners. In AL Sydbank's assessment voting at general meetings can be an effective way to supplement the direct engagement with a company's management during the engagement process.

Objective of voting

- Voting aims to promote long-term value creation in the companies in which we have invested for the benefit of investors.
- As a rule AL Sydbank supports the company's management and board of directors but on an overall basis voting is rooted in our assessment of how the company can create the best possible risk-adjusted return for investors.
- We wish to be open and transparent as regards our voting and therefore we disclose information on our voting in our annual active ownership report.

General principles of voting

In our voting we distinguish between motions submitted by the board of directors and by other shareholders.

As a rule we vote in favour of the motions and agenda items submitted by the board of directors, ie items concerning the profit and loss account, the composition of the board of directors, the remuneration policy, the appointment of external auditors, the composition and management of company capital, motions regarding mergers and acquisitions and motions regarding shareholder rights etc. The final voting is based on an item-by-item assessment of the motions submitted. Any deviations from the recommendation of the board of directors regarding this type of agenda items require weighty reasons. Such a deviation may occur for instance if the Bank via its screening or ongoing engagement with the company comes into possession of information causing the Bank to either abstain from voting or vote against the board of directors on individual items.

With regard to motions submitted by other shareholders each item is reviewed and the nature of the individual motion greatly influences the final voting.

- In general we vote in favour of motions even if they go against the recommendations of the board of directors if a motion:

- promotes transparency regarding important ESG issues
- supports long-term value creation for the company's shareholders
- addresses important ESG risks in the event that the board of directors and management of the company have been unable to mitigate such risks and report on this in a transparent manner
- encourages the management to promote the company's climate transition, including to reduce the company's environmental or social sustainability risks.

Extent of voting

AL Sydbank recognises that in principle active ownership via voting should be exercised at all general meetings. We strive to be an active owner but in order to use our resources with the greatest possible quality our voting activity is focused on supporting the other elements in our responsible investment process.

Our voting activity is focused where we believe that we can best support companies' long-term value creation for the benefit of investors. Specifically this is achieved by ensuring that our voting is closely related to the ongoing monitoring and engagement process.

AL Sydbank's policy is therefore to vote at the general meetings of specifically selected companies. The companies are selected according to a principle of proportionality focusing on the size of the investment, the extent of the potential sustainability risk, our engagement activities and our wish to promote responsible investment.

Taking into account the principle of proportionality, AL Sydbank wishes as a minimum to exercise its voting rights in the following situations**:**

- We will vote at a general meeting when there is an active engagement process with the company. Voting is an important element in order to support our constructive dialogue with the company.
- We will vote at a general meeting when the items on the agenda are a matter of principle regarding our wish to promote sustainable investment.

AL Sydbank's voting policy is independent of geographical affiliation and therefore no special practice applies to Danish listed companies.

AL Sydbank may choose to collaborate with a proxy voting company which systematically monitors the companies' general meetings and recommends how to vote on individual agenda items. Where the Bank initiates such a collaboration, AL Sydbank always determines how and where votes are cast.

AL Sydbank seeks to ensure transparency in voting and reports annually on its voting activities in the active ownership report.

Current process for voting

Currently AL Sydbank uses a proxy voting solution to cast votes at companies' general meetings. As a rule AL Sydbank's voting follows a policy developed by the proxy voting company. The proxy voting company has developed the policy on the basis of best practice regarding corporate governance and with a specific focus on ensuring that companies address the material sustainability risks related to their business model.

Through a due diligence process AL Sydbank has chosen the voting policy offered by the proxy voting company which best reflects the general voting principles established by AL Sydbank in this policy.

AL Sydbank selects the general meetings at which votes are cast on the basis of the Bank's own selection criteria. Moreover AL Sydbank monitors ongoing voting activities to ensure that they are aligned with the general voting principles established in this policy. AL Sydbank may at any time decide where and how votes are cast independently of the proxy voting company.

9. Policy for alignment of investments with the Paris Agreement

It is AL Sydbank's ambition that our investment portfolio is in keeping with the transition necessary to meet the goals of the 2015 UN Climate Change Conference (the Paris Agreement) to limit a rise in global temperatures to between 1.5 and 2 degrees Celsius. Therefore we have formulated, on the basis of the sector recommendation issued by Finance Denmark, a climate goal to reduce the carbon footprint of our investment portfolio during the period to 2030. Our starting point is the carbon footprint of the investment portfolio at end-2020.

It is AL Sydbank's ambition that more asset classes are included in our climate goal as data and methods of calculation mature. Initially our investments in listed shares and corporate bonds will be included in the climate goal. Our climate goal involves companies' scope 1 and scope 2 emissions.

AL Sydbank's possibilities of fulfilling the climate goal are heavily dependent on actual developments in global CO_2 emissions during the period to 2030. It is necessary that the companies in our investment portfolio are generally able to adapt their business models and significantly reduce their CO_2 emissions if we are to fulfil our climate goal of a total investment portfolio meeting the requirements of the Paris Agreement.

We are basically of the opinion that selling off polluting companies in strategically important industries, eg cement and steel, will not contribute effectively to reducing de facto CO_2 emissions worldwide. However we are conscious of the responsibility and opportunities resting on us to influence companies by means of active ownership. We believe that dialogue and voting at general meetings will be crucial contributory factors in companies developing a more sustainable business model and thereby being in a position to lower their CO_2 emissions.

Climate goal

The climate goal must guarantee that our investment portfolio is aligned with the requirements of the Paris Agreement during the period to 2030.

AL Sydbank's climate goal – investment portfolio

- The carbon footprint of our investment portfolio must be 50-70% lower in 2030.

In accordance with Finance Denmark our investments in listed shares and corporate bonds are included in the climate goal. The carbon footprint of our investment portfolio consisting of shares and corporate bonds at the end of 2020 forms the basis of our climate goal. The carbon footprint is calculated in accordance with the recommendations of Finance Denmark's CO_2 model.

The Bank had a subgoal for 2025 to ensure that the carbon footprint of the investment portfolio was adjusted to the requirements of the Paris Agreement. The subgoal was as follows:

- The carbon footprint of our investment portfolio must be 25-35% lower in 2025.

The subgoal for 2025 has been achieved.

Reporting on climate alignment with the Paris Agreement

As part of the Bank's annual report AL Sydbank reports on its progress to align the investment portfolio with the climate goals of the Paris Agreement.

As a minimum we will publish the following information in connection with our climate reporting:

- Clear delimitation of which assets are included in our climate goal.
- Overall assessment of the underlying data with focus on data quality and composition of data.
- The absolute CO_2 emissions of the investment portfolio as regards the assets included in the climate goal calculated as CO_2 equivalents in tonnes (tCO_2e).
- The carbon footprint of investments as regards the assets included in the climate goal calculated as CO_2 equivalents in tonnes per million DKK invested (tCO_2e/DKKm invested).

10. Policy for investment in government bonds

AL Sydbank's analysis of ESG issues encompasses all the different types of assets invested in. Even if active ownership is not directly possible, for instance in the case of a government that issues bonds, it is still possible to incorporate the spirit of the UN Global Compact when determining our own responsible investment processes regarding government bonds.

AL Sydbank has developed its own process as regards ESG analysis of government bonds. A country is assigned an ESG score where points are given on the basis of a country's current level and its development potential in the long term. Taking the Global Compact into account as much as possible, AL Sydbank's analysis focuses on several different and independent data for a country's environmental considerations, personal and political freedoms, a government's ability to provide security and welfare, the incidence of corruption etc. A good many of these factors are included in for instance the UN's 17 sustainable development goals and consequently AL Sydbank is actively working to integrate these goals in analyses and the selection of countries where it makes sense to do so.

AL Sydbank's position regarding responsible investment in government bonds is that the exclusion of certain countries is unavoidable even though they could be financially attractive. The difficulty lies in determining the specific criteria for this. In contrast to companies where the Global Compact is the internationally recognised benchmark, the criteria applying to countries are to a large extent determined by AL Sydbank.

AL Sydbank wishes to invest in government bonds in a responsible and active manner. Our strategy is for certain minimum criteria to be met at all times. We must set ambitious goals but also respect the fact that developing countries in particular have considerably poorer chances of achieving the conditions we know in Europe and Denmark. The search for and achievement of better ESG conditions normally results in a long-term positive return potential, which requires that it must also be possible to invest in relatively underdeveloped countries compared with Europe and Denmark.

A number of internationally recognised norms, including Denmark's and the EU's sanctions, represent the minimum criteria but cannot stand alone. AL Sydbank's ESG analysis focuses initially on categorising countries according to a traffic light model where certain quantitative and qualitative criteria must be met for a country to be included in the investment universe. When these criteria have been met they can be further tightened as required depending on the focus of AL Sydbank's customers on sustainability and ethical norms.

AL Sydbank's active ownership role as regards government bonds concentrates on analysing and understanding countries' development in terms of ESG issues. A comprehensive screening process provides us with a solid basis to assess a country's potential for progressing favourably and risks of setbacks. Our assessment is translated directly into an active selection of investments. By doing so ESG is embedded into the core of our management of bonds from developing countries.

AL Sydbank publishes excluded countries and state-owned companies, if any, and the reasons for exclusion.

11. ESG organisation

The overall efforts to take into account financially material sustainability risks are anchored in the steering group "ESG in Investment" where the group executive vice presidents of AL Sydbank Asset Management, Retail Clients/Private Banking and Syd Fund Management coordinate ESG activities across the areas together with specialists from the respective areas. The purpose of the steering group "ESG in Investment" is to ensure that the management of sustainability risks is integrated in AL Sydbank's investment products and in AL Sydbank's investment advice.

The responsibility for complying with the responsible investment and active ownership policy lies with the responsible investment committee (RI committee). The RI committee has been established by AL Sydbank Asset Management and Syd Fund Management (SFM). SFM is an investment management company for eg Investeringsforeningen Sydinvest and several investment funds. The RI committee consists of the group executive vice president of AL Sydbank's Asset Management and the CEO of Syd Fund Management as well as specialists responsible for ESG and investment decisions. Employees in the two entities are responsible for and carry out tasks concerning responsible investment and active ownership while safeguarding the interests of AL Sydbank and the investment funds.

The purpose of the RI committee is to coordinate ESG development activities across AL Sydbank Asset Management and Syd Fund Management. The RI committee is also responsible for ensuring that all investment portfolios comply with the overall policy and underlying sub-policies for responsible investment and active ownership. The RI committee convenes as a minimum once a quarter. At these meetings the committee discusses the current status of policy compliance. In addition ESG issues of the individual investments are discussed on the basis of reports from internal and external business partners.

12. Managing conflicts of interest

Conflicts of interest may arise when exercising active ownership. This could be in relation to matters concerning the group, competitors or customers with AL Sydbank. If analyses of eg agenda items at a company's general meeting show the existence of a conflict of interest, the RI committee will convene to decide how to manage this conflict of interest.

AL Sydbank's general policy for managing conflicts of interest will always govern the manner in which the committee tackles this type of case. The persons responsible for investments are also subject to special rules on managing conflicts of interest in asset management.

13. Information

The responsible investment and active ownership policy has been adopted by AL Sydbank's Board of Directors and is published on the Bank's website. Investors who wish to gain insight into the measures taken on the basis of the active ownership strategy may obtain further information on AL Sydbank's website.

14. Appendix: Business partners

AL Sydbank currently collaborates with the following advisers and service suppliers within the area of responsible investment.

Service	**Investment area**	**Supplier**
Screening for violations of international norms	Limited liability companies Corporate bonds Bonds issued by state-owned companies	Sustainalytics MSCI
ESG analysis and ESG rating of companies	Limited liability companies Corporate bonds Bonds issued by state-owned companies	MSCI
ESG data of companies, including CO_2 data	Limited liability companies Corporate bonds Bonds issued by state-owned companies	MSCI MSCI through BEC
CO_2 data	Mortgage bonds backed by real property	Scanrate and CMP (Capital Markets Partners) through BEC
Engagement with company management	Limited liability companies Corporate bonds Bonds issued by state-owned companies	Sustainalytics
Voting at general meetings	Limited liability companies	ISS
ESG rating of governments	Government bonds	Own model

ESG data of governments, including SDG data (data on compliance with the UN's 17 global goals)	Government bonds	Fitch Solutions Publicly available data sources from eg the World Bank, Transparency International, Freedom House etc (non-exhaustive list)
ESG reporting, including reporting for investments according to the EU taxonomy for sustainable activities	Limited liability companies Corporate bonds	MSCI

15. Appendix: Amendment history

Date	**Paragraph**	**Comment**
22 January 2021	The entire policy	Completely new structure compared to previous versions
9 March 2022	Sustainability risks	New paragraph
9 March 2022	Policy for screening and excluding companies	New exclusion criteria
21 December 2022	Policy for alignment of investments with the Paris Agreement	Update of CO_2 target
14 December 2023	Policy for screening and excluding companies	Clarification of description of exclusion as regards passive investment strategies
12 December 2024	ESG organisation	Clarification of responsibilities and duties
24 February 2026	Active ownership policy – Engagement Active ownership policy – Voting	Clarification of responsibilities in the active ownership process between AL Sydbank and the Bank's business partners. Moreover editorial changes have been made.