

Nykredit Portefølje Administration A/S sustainable investment policy

Creating utility to the society and long-term value for our customers is central to how we invest our customer's assets, how we advise our customers on investment, and how we run our business. We feel responsible to be a part of solving the new challenges that we as a society are facing, and to have a special opportunity for making a difference. Nykredit desires to be Denmark's association-owned and social responsible financial institution. We shall protect our customer's assets, our society, and future generations. We believe this will create the best results – for both our customers and for our outside world.

Purpose

This policy aims to set the framework for our work with sustainable investment and environmental, social, and governance issues, which are referred to as 'ESG'. Nykredit Portefølje Administration performs managing- and/or administration services for pension funds, capital funds, AIF- and UCITS funds etc. (together the "Funds"). These Funds make investments on behalf of their respective costumers, and most of them have their own policies, which are coherent to this policy.

Nykredit Portefølje Administration provides our insights, so that we can assist the Funds in carrying out our common ambitions regarding the contribution of solving social challenges. This policy concerns, how Nykredit Portefølje Administration desires to contribute to sustainable development and respect for international guidelines and conventions.

Nykredit desires to invest in accordance with the goals of The Paris Agreement, and to contribute to the achievement of the sustainable development goals. We share this ambition with many of the Funds, which is why Nykredit Portefølje Administration provide their competences to the Funds in this context.

Simultaneous, Nykredit Portefølje Administration desires to do its utmost to enable new management solutions for the investments, which are pushing the green transition in the right direction. By way of example, this could be solutions of investments in alternatives, green bonds or something else. By this Nykredit Portefølje Administration desires to facilitate investments within the EU taxonomy.

Nykredit has joined international standards and has committed to co-operate

Nykredit supports and works together with a number of organizations and frameworks, which are in line with our approach to sustainability.

Nykredit joined the FN-supported 'UN Principles for Responsible Investments (UN PRI)' which are principles regarding responsible investments in 2009. Since then, Nykredit has continued to incorporate the six principles in our processes. Furthermore, Nykredit takes an active part in the further development of responsible investments methods.

Since 2008, Nykredit has been a part of the UN Global Compact and in 2019 Nykredit has been a founding member of the UN Principles for Responsible Banking. Furthermore, Nykredit is a member of Dansif, Eurosif, and a number of professional organizations, among these Finans Danmark. In addition to this, Nykredit has contributed and joined the professional recommendations regarding the minimum handling of sustainability by Investering Danmark. We believe that it is important to contribute to the development of professional recommendations and common methods.

Nykredit Portefølje Administration wants to assist and support the Funds with their work with standards.

In relation to the Remuneration Policy of Nykredit

The Remuneration Policy of Nykredit has a direct relation to this policy of Sustainable Investments. The individual employee's compliance with Nykredit Group's policies, including this policy, is one of the cornerstones of the Remuneration Policy. Nykredit's goal of being Denmark's leading association-owned socially responsible financial institution also plays a central role, and this policy refers to Nykredit's policy for social responsibility. Nykredit has constructed an ESG-key figure, which focuses on climate footprint, sustainable solutions, and customers' and employees' view of Nykredit's abilities within sustainable investments. Some of Nykredit's employees have a bonus scheme or the opportunity to receive performance supplement, and in both cases this policy and the effort to sustainable investments are included in the establishment. The Remuneration Policy of Nykredit is available on Nykredit's website.

Relation to other policies

Nykredit Portefølje Administration has in several ways set some minimum standards for our business, which is also relevant in this context. Among other things, Nykredit Portefølje Administration has approved and joined the tax policy of Nykredit, which shall counteract involvement in tax speculation. Nykredit Portefølje Administration also puts in a great effort in ensuring that the Funds are compliant with EU-sanctions and EU-regulation.

Assistance for the inclusion of sustainability aspects in the funds

Nykredit Portefølje Administration desires to assist the Funds with investments within the framework of international agreements and Danish standards regarding responsible investments. Nykredit Portefølje Administration has a wide range of Funds, who invest in significantly different markets and asset classes. Therefore, Nykredit Portefølje Administration desires to offer the Funds a wide range of solutions and flexibility in the methods of responsible investments. Common to all the Funds is the desire for orderliness and transparency in the problems, solutions, and results.

Nykredit Portefølje Administration assists the Funds to accommodate the minimum recommendations for sustainable investments from Finans Danmark, and in this connection also the annual reporting of these Funds.

In this context, Nykredit Portefølje Administration offers the Funds to be screened quarterly for issuers' activities that may violate widely recognized UN conventions, the Global Compact's 10 principles or the OECD's Guidelines for Multinational Enterprises. At the same time, risks within the environment, social conditions and good corporate governance are assessed. As part of this process, the climate footprint of the Funds is also assessed, if available data from issuers allow this. The results of these analyzes are shared with the portfolio managers of the individual Funds (and potential sub-funds), who are responsible for acting on this information in accordance with the guidelines of the individual Funds (and potential sub-funds).

Nykredit Portefølje Administration will also assist in handling any breaches of international standards. This also applies to assistance in complying with Danish recommendations not to invest in companies involved in the production of controversial weapons defined as cluster munitions, landmines, biological weapons, chemical weapons, and A-weapons outside the non-proliferation agreement.

The portfolio manager of the Funds is responsible for the active ownership, but Nykredit Portefølje Administration will also offer to assist. The goal of voting should always be to ensure the Fund's long-term value creation and thus the underlying investors' investments. The Fund's vote is to ensure the best possible return for the underlying investors. The portfolio managers are responsible for their votes to be in accordance with the Funds policies, as these are closest to the companies in which investments have been made.

Nykredit Portefølje Administration assists the Fund's individual board of directors with at least once a year to obtain information from the individual Fund's portfolio managers about their work with responsible investments, their active ownership, and what actions the portfolio manager has taken on the basis of the quarterly screenings of the Funds. This information may be included together with the results of any quarterly screenings in the Funds' annual report on corporate social responsibility. This report is presented together with the annual report and published on the website of the Funds and/or Nykredit Portefølje Administration.

Due diligence with Nykredit Porteføljeadministration's data suppliers

The premise of investing with the goal of creating value and making a profit is insight and the ability to execute. In this context, high quality data and collaborators are very essential. Nykredit Portefølje Administration receives data from a range of different sources. Nykredit obtains information from the companies themselves and combines these with public sources such as information from authorities, international organizations, NGOs, and the media. In addition, Nykredit purchases data and analyzes from stockbrokers and specialized suppliers of sustainability databases. The insight from this is included in the investment process and in our active ownership in the form of dialogue with the companies and voting. The latter is executed through our cooperating partners within proxy voting and active ownership.

Nykredit continuously assesses our suppliers' and partners' ability to provide valid data; true and fair analyzes and in relation to engagements to be able to execute on Nykredit's goals. At least once a year, the quality of the deliveries and the collaboration is assessed. Both Nykredit's website and our annual reports contain a list of our existing cooperating partners.

Transparency

Nykredit Portefølje Administration will report annually on its efforts and the results of this. In this context, Nykredit Portefølje Administration will report on the negative consequences of the Fund's investments and the climate footprint. Nykredit Portefølje Administration will also report on the exposure of Fund's to the EU taxonomy.

Organizing and reporting

The board of directors of Nykredit Portefølje Administration approves Nykredit's sustainable investment policy, which is updated annually. The policy contributes to implement the Nykredit Group's corporate social responsibility policy. The board of directors of Nykredit Portefølje Administration will at least once a year be informed about the work with corporate social responsibility, often in connection with the publication of the statutory reporting.

Nykredit Portefølje Administration participates in Nykredit's Forum of Sustainable Investments (the Forum), who's task is to solve questions regarding the implementation of Nykredit's overall policy for sustainable investment. In this context, the Forum meets four times a year in order to make a decision on the exercising of active ownership, potential exclusion and further development of the integration of sustainability in the investment process. The head of Wealth Management is the front person of the Forum, which furthermore consists of representatives from Asset Management, Group Finance and Investment, Nykredit Portefølje Administration, and People and Identity. Nykredit's ESG Team and Nykredit Asset Management's Forum for Sustainable Investments assist Nykredit's Forum in its work. The policy is implemented by the relevant business units, including Asset Management, who set up the decision. Nykredit's Forum of Sustainable Investments and The boards of directors of the individual Fund's evaluate annually the efforts and the need for further development of its overall policy. For those reasons, Nykredit Portefølje Administration assesses whether Nykredit Portefølje Administration's sustainable investments policy should be updated.

Conflict of interests

Nykredit may in some cases be exposed to conflicts of interest in relation to our active ownership. To ensure that these situations are handled correctly, they are covered by Nykredit's internal Policy for handling conflicts of interest.

In order for all customers to receive an honest, fair and professional treatment, Nykredit has initiated the below listed procedures and measurements to identify situations where conflicts of interest or suspicion may arise, and to avoid these:

1. Business procedures that stipulate that employees must at any time be aware of potential and current conflicts of interest and must try to avoid them.
2. Internal training and education of relevant employees in order for them to identify potential conflicts of interest and to try to avoid them.
3. Placing the responsibility on the employees to report on current or potential conflicts of interest to their managers and the compliance function, so that conflicts of interest are dealt with at the correct level.

When conflicts of interest within active ownership are identified, notifications are given to managers and the compliance function. The board of directors of the affected Funds will be informed of the conflict of interest and of how it has been handled to secure the fund's interests. Nykredit's Conflicts of Interest Policy is available on Nykredit's website.

Our conflict of interest policy also covers voting.

Dokument Manager: Martin Udbye Madsen/ Tage Fabrin-Brasted/ Søren Larsen