

## **Sustainability-related disclosure**

### **Portfolio Management Agreement 524**

Website disclosure with product information on financial products promoting environmental or social characteristics.

#### **SUMMARY**

The mandate invests in stocks that are characterized as being undervalued relative to the companies' underlying fundamental and business value. The mandate's objective is to generate returns that, over time, exceed market returns as measured by the broad global index. The mandate follows a highly focused investment approach, holding 25–35 stocks, making it more volatile than traditional global equity mandates.

The mandate promotes environmental and social characteristics by excluding companies whose activities have adverse impacts on environmental and social factors, and by engaging in active ownership to support improvements in ESG performance. The mandate also promotes environmental characteristics by applying a carbon emissions restriction.

No commitment is made to sustainable investments as defined by the EU Sustainable Finance Disclosure Regulation (SFDR). No reference benchmark is used to achieve the environmental or social characteristics promoted by the mandate.

A minimum of 100 pct of the mandate's investments aligns with the environmental and social characteristics of the fund, secured through the binding elements of the investment strategy.

The investment team applies exclusion and active ownership as binding elements to achieve the environmental and social characteristics promoted by this mandate. The exclusion process ensures compliance with ESG restrictions and guidelines, including verification against exclusion lists and proper implementation of relevant rules. It also helps ensure that the companies in which the mandate invests do not have adverse impacts on environmental and social factors. Finally, active ownership is used to engage with companies to ensure positive developments across ESG areas.

The investment team utilises ESG data from globally recognised ESG data providers, including Morningstar Sustainalytics ("Sustainalytics") and Clarity AI, which are integrated into the portfolio management system. Data quality is ensured through continuous updates and the combination of reported data, supported by validation from data providers.

#### **NO SUSTAINABLE INVESTMENT OBJECTIVE**

This financial product promotes environmental or social characteristics but does not have sustainable investment as its objective.

**ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT**

The mandate promotes environmental and social characteristics by excluding companies whose activities have adverse impacts on environmental and social factors. The mandate also promotes environmental characteristics by applying a carbon emissions restriction.

The mandate excludes companies engaged in activities listed under “Investment Strategy”. Additionally, the mandate exercises active ownership with companies that violate, or are at risk of violating international norms to improve ESG performance. This engagement is conducted through the third-party provider, Sustainalytics.

The environmental and social characteristics are monitored through the indicators disclosed in the pre-contractual information and reported on annually in the periodic report.

**INVESTMENT STRATEGY**

The mandate invests in stocks that are characterized as being undervalued relative to the companies' underlying fundamental and business value. The mandate's objective is to generate returns that, over time, exceed market returns as measured by the broad global index. The mandate follows a highly focused investment approach, holding 25–35 stocks, making it more volatile than traditional global equity funds.

The mandate's environmental and social objectives are achieved through its commitment to responsible investment, as described in the investment advisor Fondsmæglerselskabet Maj Invest's (hereinafter “Maj Invest”) Responsible Investment Policy and ESG Investment Framework.

Maj Invest has defined four ESG investment strategies within its ESG Investment Framework, of which this mandate is part of the ESG exclusion strategy. Under the ESG exclusions strategy, the mandate excludes companies whose activities have adverse impacts on environmental and social factors, as listed below.

*Exclusion*

The mandate excludes companies engaged in unsustainable activities, including:

- Companies deriving more than 10 pct. of their revenue from oil sands exploration and extraction.
- Companies deriving more than 10 pct. of their revenue from thermal coal exploration and extraction.
- Companies deriving more than 10 pct. of their revenue from the production and cultivation of tobacco products.
- Companies deriving more than 10 pct. of their revenue from the production of adult entertainment content.
- Companies deriving more than 10 pct. of their revenue from the ownership or operation of gambling establishments.

- Companies involved in controversial weapons activities (as defined by international treaties and conventions).
- Companies that have violated international standards such as the UN Global Compact and OECD Guidelines, demonstrating no willingness to change their behaviour despite repeated engagement efforts, and are therefore placed on the Sustainalytics disengagement list.

## *Active Ownership*

The foundation of our active ownership activities includes norm-based screening conducted in collaboration with Sustainalytics to identify violations of international norms and guidelines related to human rights, environmental protection, anti-corruption, and labour rights.

When violations are identified, dialogue with the company is initiated to influence behaviour and resolve problematic issues. If engagement does not lead to improvements, the company may be excluded and divested.

## **Policy for assessing good governance practices**

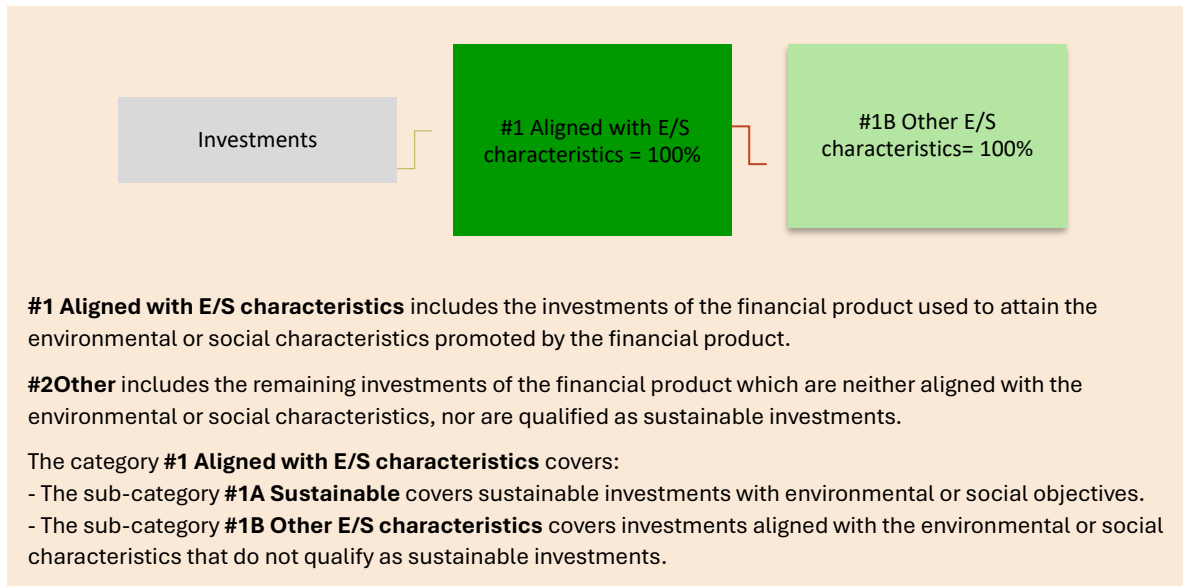
Assessing good governance practices is ensured through Maj Invest's Responsible Investment Policy and involves norm-based screening in collaboration with Sustainalytics. The screening evaluates whether companies comply with internationally recognised norms and standards concerning environmental, social, and governance (ESG) issues, including the UN Global Compact and OECD Guidelines for Multinational Enterprises. It identifies companies that violate or risk violating these norms. The screening includes an assessment of factors such as labour conditions, management practices, compliance with human rights, and remuneration policies.

Maj Invest's Responsible Investment Policy is available on the website, <https://majinvest.com/>.

## **PROPORTION OF INVESTMENTS**

100 pct. of the mandate's investments meets the criteria of Maj Invest's ESG Exclusion strategy and align with environmental and social characteristics. This is ensured through the binding elements of the investment process, including exclusions and active ownership, as described above.

The table below presents the minimum share of investments in the mandate contributing to the achievement of the environmental and social characteristics promoted by the mandate.



## MONITORING ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Maj Invest ensures that the mandate's investments comply with the responsible investment requirements, as adopted in the Responsible Investment Policy.

Monitoring of the mandate's social and environmental characteristics is conducted through the binding elements of the investment strategy and PAI indicators. This is described in detail in the Investment Strategy section.

## METHODS

The mandate employs the following methods to achieve the environmental and social characteristics it has committed to promoting:

### *Exclusion*

The mandate excludes companies involved in unsustainable activities, as outlined in the Investment Strategy section. These exclusions are fully integrated into Maj Invest's portfolio management system, Dimensions, which automatically blocks investments in companies that do not comply with the defined exclusion criteria, when data is available.

### *ESG Integration*

The mandate applies Sustainalytics' ESG Risk Rating, which measures companies' exposure to and management of ESG risks. Companies with a lower rating have fewer unmanaged risks and are therefore better at integrating ESG risks and opportunities into their operations.

### *Active Ownership*

Sustainalytics initiates an engagement process, on our behalf, with companies that severely and systematically violate international norms, including UN Global Compact and the OECD Guidelines for Multinational Enterprises. These companies are assessed as "non-compliant" in the quarterly

screening. Furthermore, Sustainalytics may engage companies at risk of violating UN Global Compact. These companies are assessed as “watchlist” in the quarterly screening.

During engagement, Sustainalytics operates with various indicators on their process, including “Progress”, “Response”, “Performance” and “Milestones” and defines change objectives for each engagement case. An engagement strategy is developed to provide a structured methodology for engaging with companies. The strategy is based on developing a primary change objective, which is then broken down into several interim steps that form the basis of a step-by-step dialogue with the company. The engagement goals, or change objectives, help direct the engagement and make it possible to measure progress, in milestones, along the way. Milestones are defined as steps taken towards achieving the engagement goal. The objectives of engagement therefore are both actionable and measurable. When the engagement goal is achieved, the case is resolved. The company dialogue is active and focusses on change. At the initial engagement stage Sustainalytics sends information to the company regarding the goals that the company should achieve to resolve the case. This is usually followed by a conference call where objectives are discussed in greater detail with the company. On our behalf, Sustainalytics evaluates materiality in relation to ESG issues via a thorough evaluation process.

#### **DATA SOURCES AND DATA PROCESSING**

To obtain ESG data Maj Invest utilises data from Sustainalytics and Clarity AI. These data providers support the analysis of companies' exposure to activities with principal adverse impacts on sustainability factors, and well as the PAI-indicators considered in the investment process. Data quality is ensured through a combination of companies' self-reported data and estimated data from Sustainalytics and Clarity AI's analyses.

Data is continuously updated and directly integrated into the portfolio management system as part of the investment process.

A significant portion of the data received from Sustainalytics and Clarity AI is still based on estimates, as many companies have not yet reported on the relevant data points. In such cases, Sustainalytics and Clarity AI may estimate data. Both Clarity AI and Sustainalytics indicate which data are estimated. However, since this varies across data points and companies, compiling an overall report on estimated data is complex. Therefore, a comprehensive report on estimated data cannot be provided at this time. However, we always strive to use the most accurate data available.

#### **LIMITATIONS TO METHODOLOGIES AND DATA**

The methods and data sources used to promote environmental and social characteristics may be subject to certain limitations. These include inconsistent reporting from companies, limited data availability in specific sectors and geographies, and reliance on estimated data when reported data is unavailable.

To mitigate these challenges, Sustainalytics combines reported data with its own analysis to establish a reliable basis for assessment.

Although limitations in data quality may lead to inaccuracies in the analysis of companies' ESG risk management, it is assessed that these limitations do not impact the achievement of the mandate's environmental and social characteristics. This assessment is based on the mandate's concentrated portfolio, the investment team's in-depth knowledge of the individual companies, and the continuous monitoring and validation of data quality by the recognised data provider.

## **DUE DILIGENCE**

The mandate is actively managed and undergoes a thorough due diligence process to assess its underlying assets. The portfolio managers analyse both financial and sustainability-related information from multiple data sources, including annual reports, third-party analyses, and other market information.

Sustainability aspects are integrated into the investment process and can influence decisions on whether to buy, hold, or sell investments. Engagement processes and monitoring of company governance, including board composition and voting rights, support this assessment.

Internally, the due diligence process is controlled through continuous portfolio monitoring and systematic screening and exclusion processes. Externally, these processes are validated using data from providers such as Sustainalytics and Clarity AI.

Based on this process, the investment advisor, Maj Invest, may decide to divest or reduce investments in companies that do not align with the mandate's environmental and social characteristics.

## **ENGAGEMENT POLICIES**

The investment advisor, Maj Invest, applies an active ownership policy as a central part of the mandate's strategy to promote environmental and social characteristics. This policy includes norm-based screening conducted in collaboration with Sustainalytics to identify violations of international norms and guidelines related to human rights, environmental protection, anti-corruption, and labour rights.

When violations are identified, dialogue with the company is initiated to influence behaviour and resolve problematic issues. If engagement does not lead to improvements, the company may be excluded and divested. Maj Invest also utilises voting rights as part of active ownership, where deemed appropriate, to address sustainability-related risks and promote positive developments. Through systematic engagement, monitoring, and voting, Maj Invest works to ensure that companies progress in a positive direction regarding the environmental and social characteristics promoted by the mandate.

Maj Invest Active Ownership Policy is available on the website.

**REFERENCE BENCHMARK**

This financial product does not use a reference benchmark to achieve the environmental and social characteristics.