PenSam

Policy and Guidelines for Responsible Investments and Active Ownership

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PenSam

Appendices

1 Introduction

This document describes PenSam Pension's ("PenSam") overall approach to sustainability risks and responsibility and is seen as the Executive Management's policy and guidelines for Responsible Investments and Active Ownership.

PenSam provides labour market pensions to 450,000 pension customers, who carry out core assignments in the Danish welfare society, mainly within elderly care and pedagogical care.

Decency and responsibility are solidly anchored throughout PenSam, and they form an integral part of the way we manage investments.

2 Overall approach to sustainability risks and responsibility

2.1 Sustainability risks

Sustainability risks are environmentel, social or managerial events or circumstances which, if they arise, may have an actual or potential, seriously negative effect on the value of an investment.

In PenSam's assessment, transition risks are the most significant sustainability risks for PenSam's investments. These are risks which arise in society's attempt to address environmental and climate-related challenges. These could be developments in policies and regulation, changes in technology, new business models and changes in consumer behaviour; these can all have a negative effect on PenSam's investments.

However, Pensam is also exposed to other sustainability risks, such as physical risks (flooding, drought and other climate-related events, as well as environment-related events), social risks (infringement of human rights, child labour, etc.), and management-related risks (corruption, bribes and tax matters).

The mitigation of sustainability risks forms an integral part of PenSam's work in the field of investments. Consequently, sustainability risks are at the same level as other financial and non-financial risks in PenSam's investment strategy and investment process, including in particular the work with responsible investments and active ownership, as described in this policy.

See Appendix 1 for more details concerning the sustainability risks of PenSam's investment portfolio.

2.2 Responsble investments

The work with responsible investments and ESG[1] is of the essence, since it supports the goal of safeguarding the interests of our members as well as possible and securing a good return, while considering risks and while shouldering PenSam's responsibility to society as an investor. It is thus a condition for the work with ESG that this work supports achieving a satisfactory return. PenSam focuses on ensuring that our investment portfolio is robust given the effect of development of sustainability and responsibility on investments.

[1]Internationally, responsibility is addressed in the form of Environment (E), Social (S), and Governance (G), jointly called ESG.

The work on responsible investments has the three following elements:

1. Exclusion
2. Active Ownership
3. Impact Investment

Companies and countries/government bonds not wanted in PenSam's portfolios are excluded.Exclusion is carried out if it is assesed that in the long run these introduce sustainability risks which are not compensated via a higher, expected return. Furthermore, investments are excluded if they are deemed not to live up to PenSam's values and attitudes. It is a precondition for all exclusions that they make up such a limited part of the investment universe that they do not influence the possibility of optimising the overall return/risk ratio of the portfolio.

Active ownership is a matter of influencing companies in the desired direction, often in cooperation with other investors. Active ownership may in some cases be seen as an alternative to exclusion of a company. Rather than excluding a company, PenSam may use active ownership to try to influence the company to remove substainability risks and/or live up to PenSam's values and attitudes.

Impact investments comprise investments supporting a desired direction, such as climate-related investments in the form of solar panel and wind turbine farms. It is a precondition for this type of investment that the expected return is satisfactory seen in relation to the risk.

These three elements are reviewed below in the section on Monitoring.

3 Monitoring

PenSam systematically monitors its investment portfolios and the external asset managers who invest on PenSam's behalf.

Monitoring of the investment portfolio is based, among other things, on international agreements and conventions (Appendix 2), including the ten principles of the UN's Global Compact (Appendix 3) and the UN-supported principles for responsible investments, entitled PRI (Appendix 4).

Monitoring is carried out taking into account the PAI indicators (*Principal Adverse Indicators)* that relate to the climate, labour rights and real estate – see also the section on 'Focus areas'.

When new investment pledges and made, and in the ongoing follow-up, PenSam's external asset managers are assessed on how they handle ESG. Read more in the section on Assessment of external capital managers.

3.1 Exclusion

PenSam excludes because:

1. We believe that the problematic business model or behaviour involves risks or negatively impacts the return in the longer run, e.g. if it leads to undesirable sustainability risks.
2. The company's/country's activities go against PenSam's values and attitudes – provided such exclusion does not restrict the investment universe to such an extent that it limits us.

3.1.1 Exclusion of companies

Exclusion is carried out on the basis of monitoring/analysis done internally at PenSam or on the basis of monitoring done in cooperation with external associates.

This internal monitoring/analysis focuses on climate/selected fossil sectors to a considerable extent. This is done with a view to entering into a dialogue or possible exclusion as a result of missing CO_2 reduction of unsatisfactory transition plans, as well as to achieve PenSam's climate targets.

PenSam cooperates with Sustainalytics, a screening and engagement company offering global, independent analyses and consulting. Sustainalytics carries out ongoing screening of PenSam's portfolios, thereby allowing an assessment of possible exclusion of companies. In addition, separate screening of Nordic companies in the portfolio is made for controversies on collective agreements or working conditions.

If a company carries out activities which involve sustainability risks which are not deemed to be compensated via higher expected return or are not compatible with PenSam's values and attitudes, PenSam will use active ownership to try to make the company change its behaviour before PenSam proceeds to exclusion. Read more in the section on active ownership.

There are a number of business areas in which PenSam does not wish to invest, which is why these are excluded beforehand. This is either because the business model is deemed to lead to undesired risks in the long run, or because it does not square with PenSam's values and attitudes. These business areas are the following:

- Controversial weapons (Cluster weapons, biological weapons, nuclear weapons and land mines). This covers both companies involved in the final manufacture and production, but also to a wide extent companies whose part components/services have been made especially with the purpose of forming part of the production of the mentioned, controversial weapon types.
- Coal – Companies where more than 5% of their revenue relates to coal are exlcuded. If such companies have a concrete, imminent plan for transition away from coal, an exemption from the 5% limit may be given.
- Oil – Companies in whcih more than 40% of reserves are at risk of not being extracted (also known as stranded assets).
- Oil sands
- Tobacco

3.1.2 Exclusion of countries/government bonds

Sustainalytics carries out ESG screening of countries/government bonds. PenSam basically excludes the lowest rated countries based on their ESG score. Exceptions may occur if special circumstances exist, including expectation of improvement/worsening of the ESG score. Furthermore, sanction-affected countries and countries on the EU list of tax havens are excluded.

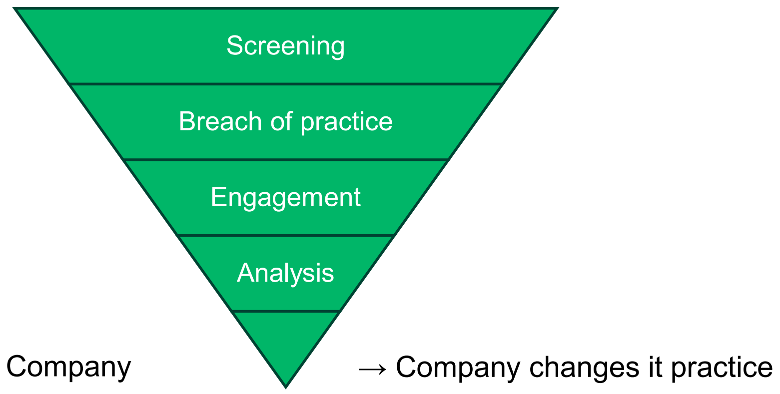
3.2 Active ownership

3.2.1 Engagement

Active ownership forms an integral part of Pen-Sam's investment process, seeking to make companies with unwanted behavior change their behaviour. If the company does not have the will or ability to change its unwanted behavior within an acceptable time horizon, PenSam may, at the end of the day, decide to exclude the company and divest its investment in the company.

3.2.2 Screening process

Screening is carried out of the total portfolio, both internally at PenSam and by an external associate. The figure below illustrates the overall screening process:



As regards labour rights, for example, Sustainalytics carries out screening of PenSam's portfolios. If there is suspicion of breach of practice (infringement of various conventions and international agreements), this is examined in more detail. If a breach of practice is ascertained, Sustainalytics will start an engagement process with the company. Based on engagement, Sustainalytics performs analyses of the company; these analyses are subject to PenSam's ongoing assessment. The outcome will be one of two scenarios: Either the company changes its practice, or the company is excluded, and a divestment is made.

Every six months, PenSam reviews and updates an observation list, reflecting which companies are involved in an ongoing engagement process. The observation list is updated in that new companies are added (in case of breach of practice/controversies, or new companies being added to the portfolio). Furthermore, companies are removed from the list if they are no longer in the portfolio, or have been added to PenSam's exclusion list, or because the issue is deemed to have been solved. The updated observation list is published at pensam.dk.

Active ownership in regard to breach of practice, such as labour rights, pollution, etc., is often relative complicated and may require significant strategic initiativces in companies, and thus involvement of top management. As a result, a process may often take years, and it may be difficult to specify a deadline, since individual cases are different.

PenSam generally focuses on the ability and willingness of companies to change their practice. Companies must be able to change their practice, which may be difficult, for example if their practice is part of their business model. Furthermore, through dialogue and concrete initiatives, they must show willingness to change their practice. If both ability and willingness are present, PenSam will basically be patient, so processes may take years. If a company has been on the observation list for three years or more, a more indepth evaluation is to be made of the effects of active ownershop. On this basis a decision must be made as to whether the process is to continue, or whether the company is to be excluded. This will be based on the progress ascertained in the dialogue and in the concrete measures taken.

3.2.3 Voting

PenSam cooperates with ISS Proxy Voting on voting at general meetings of listed companies. ISS Proxy Voting will vote using PenSam's Principles for voting (Appendix 5).

As a matter of principle, PenSam votes at all the general meetings of listed companies, where PenSam is a shareholder in such companies.

Since we wish to be transparent, we publish the votes we cast in listed companies via an online portal, which can be reached via www.pensam.dk.

3.2.4 Statement on recommendations for active ownership and report on active ownership

We prepare an annual ”Statement on recommendations concerning active ownership”. Appendix 6 summarises how PenSam relates to each of the total of seven recommendations for active ownership from the committee for good corporate governance.

Furthermore, PenSam prepares and annual report on Active Ownership. This report is available via pensam.dk.

Finally, PenSam has a policy for active ownership (in accordance with the Danish Insurance Business Act), which appears from Appendix 7.

3.3 Impact investment

Impact investments are made to promote a positive social or environmental development, while generating attractive returns and not leading to undesired sustainability risks.

Today, PenSam carries out impact investments via companies, funds, or projects. Impact investments may be made directly in infrastructure (solar panels or wind turbine farms), green bonds, loans to green projects, “green” shares, etc.

As regards climate-related solutions, the investment market is well-developed, which gives PenSam good investment opportunities. Consequently, it is possible to set quantitative goals for investments in this field. PenSam has set a goal, saying that by 2025 and 2030, respectively, 15 and 20% of the portfolio must be invested in climate-related solutions. PenSam seeks to update these goals in line with technological developments, better conditions for underlying companies, and implementation of EU rules, including the EU Taxonomy and CSRD.

As another focus area within impact investments, PenSam seeks to make socially related investments with attractive risk/return ratios.

4 Focus areas

PenSam has defined four areas of particular focus. These areas are climate, taxation, sustainable building construction, and labour rights, whcih are deemed to (partially) support six of the UN's Sustainable Development Goals, since climate forms part of three of the overall goals. This focus also helps minimise PenSam's sustainability risks, which are closely associated with such elements as climate and sustainable building construction.

4.1.1 Climate

SDG # 7: Sustainable energy

9: Robust infrastructure

13: Climate

Climate change and conversion to a green economy lead to major changes throughout the energy sector. A clear reduction of carbon emissions from coal, oil and gas is required if the goals of the Paris Agreement are to be met.

The decline in demand for the various types of fossil fuels will occur at different speeds. Already now, a lower demand for coal is witnessed; oil is close to its maximum demand, which may already have been passed, while the demand for gas must be expected to continue growing for some years.

This development will have major financial consequences for many companies.

PenSam wishes to contribute actively to the 2015 Paris Agreement, which says that the average temperature increase is to be kept "well below" 2 degrees. The goal is for the temperature not to increase more than 1.5 degrees. At the same time, PenSam will take account of the financial risks and sustainability risks involved in investing in the fossil industry, e.g., by:

- Minimising exposure to coal; this includes exclusion of companies with more than 5% of their turnover relating to coal and such companies are not in a clear transition process away from coal.
- Continually addressing exposure to oil and gas, and such exposure is today at a very low level. PenSam will primarily invest in companies and projects deemed to be ready for the transition to sustainable development.
- Ensuring that direct investments in infrastructure projects in the fossil industry are deemed to contribute towards the conversion to a green economy.

In Climate, PenSam's overall approach to responsibility is generally observed; this is divided into three elements:

1. Exclusion
   - Investments not wanted in the portfolio, e.g., related to coal, tar sand, oil companies, etc.
2. Active ownership
   - PenSam typically cooperates with other investors, trying to influence developments to go in the desired direction, such as Climate Action 100+, engagement via Sustainalytics, voting, etc.
3. Impact investments
   - Special focus on making investments which support the SDGs on climate. However, this must be done on condition that returns are competitive compared with other investments.

PenSam has joined PAII (Paris Alligned Investment Initiative), where the goal is for PenSam to be netZero (zero CO2 emissions) in 2050. Furthermore, a sub-goal has been prepared for CO2 emissions in 2025, when the share and credit portfolio as well as the Danish real estate portfolio are to emit 55% less CO2 than in 2019.

PenSam works continually to integrate climate risks into its investment process and participates in several investment forums promoting green transition:

- TCFD (Taskforce on Climate-related Financial Disclosures)
- TNFD (Taskforce on Nature-related Financial Disclosures)
- IIGCC (Institutional Investors Group on Climate Change)
- Climate Action 100+
- PAII (Paris Aligned Investment Initiative)
- PRI (Principles for Responsible Investment)

The climate-related networks above are among PenSam's associates and networks for responsible investments, cf Appendix 8.

Based on a cautious assessment, and taking account of the fact that the PAI indicators are at an early stage of ripening, PenSam's work with this focus area is deemed to have a positive impact on PenSam's PAI 1-6, PAI 15 and PAI 17-18. To this must be added one of the two voluntary indicators concerning *"Investments in companies without any initiatives to reduce their CO2 emissions"*.

4.1.2 Fair taxation

SDG # 10: Reduced inequalities

PenSam has a taxation policy, which basically says that everybody must pay the taxes due, no more, no less. PenSam also subscribes to a tax code for alternative investments; this is done jointly with a great many Danish players in the pension sector.

In addition, two initiatives relate to the listed investments in the portfolio made in cooperation with Sustainalytics.

These are the two initiatives:

- PenSam's shares and credit bonds are monitored to identify controversial tax issues to be considered.
- With other institutional investors, PenSam engages with selected multinational companies on tax policies and payments and openness.

When PenSam invests in unlisted companies, a thorough investigation is made to ensure there is no aggressive tax planning involved.

Read more about PenSam's tax policy and tax code in Appendix 9 and Appendix 10.

4.1.3 Sustainable building construction

SDG # 11: Sustainable cities

Building construction and facility management contribute a significant part of CO_2 emissions in society. Politicians are becoming aware to an increasing extent that our building stock should become more sustainable. With the purpose of being at the forefront of legislation and maintaining and developing financially sound buildings by focusing on sustainable solutions, PenSam has prepared a substainability strategy for its real estate portfolio.

With this sustainability strategy for real estate, PenSam wishes to:

- Clearly reduce the carbon footprint of its real estate
- Create sustainable solutions through increased focus on prioritising operations and maintenance
- Improve energy efficiency and use greener utility services
- Imprrove the experience of living and working in our properties

Based on a cautious assessment, and taking account of the fact that the PIA indicators are at an early stage of ripening, PenSam's work with the focus area of sustainable building construction (and climate) is deemed to have a positive impact on PenSam's PAI 17-18, which both relate to investments in real estate.

4.1.4 Labour rights

SDG # 8: Decent jobs and financial equality

As a labour market pension company, PenSam naturally focuses on labour rights.

Portfolios are continually monitored to spot objectionable conditions or breaches of conventions or international agreements on labour rights.

Based on a cautious assessment, and taking account of the fact that the PIA indicators are at an early stage of ripening, PenSam's work with the focus area of labour rights and human rights (and the overall monitoring and exclusion strategy regarding international conventions and controversial weapons, etc.) is deemed to have a positive impact on PenSam's PAI 10-14 and PAI 16. Furthermore, it is also deemed to have a positive impact on one of the two voluntary indicators concerning *"Number of court judgments and fine amounts when investment-receiving companies violate laws on fighting corruption and on bribery".*

5 Assessment of External Asset Managers

PenSam's external asset managers investing on behalf of PenSam are assessed and granted an ESG score. The score ranges from 0 to 60 points and is based on 15 questions in the three following areas:

- Policy and internal resources
- ESG integration
- Active ownership

The score must reach a minimum of 30 points. If the score is below 30 and it is not deemed possible to increase the score to 30 within two years, no agreement is made with the asset manager concerned.

6 PenSam's Code of Conduct

PenSam has prepared a Code of Conduct for its associates; the Code deals with PenSam's general expectations regarding responsible corporate governance, cf. Appendix 11.

7 PenSam's Social Clause for Property Investments

In connection with real property projects, where PenSam is the Developer, the Turnkey Contractor must accept and abide by PenSam's Social clause for property investments, cf. Appendix 12.

8 Transparency

PenSam wishes to be open and transparent. PenSam's website continually publishes information on responsibility and active ownership, including the following points:

- Lists of holdings of shares and credit bonds
- Exclusion list regarding companies
- Exclusion list regarding countries/government bonds
- Observation list (engagement cases)
- Voting at general meetings
- CSR report
- Reporting on Active Ownership
- Policies and Guidelines for Responsible Investments and Active Ownership
- Sustainability-related information in accordance with the EU's Disclosure Regulation

We continually review how transparency about our work with responsible investments can be enhanced.

9 Internal reporting

Internally at PenSam, there is ongoing reporting to the Board of Directors and the Executive Management on Responsibility and Active Ownership. Among other things, this includes the following reports:

- Annual ESG reporting in October/November to the Board of Directors on significant events over the last year, as well as planned initiatives for the coming year
- Ad-hoc reporting to the Board of Directors on selected events, including press-related events
- Ongoing reporting/information to the Executive Management on selected events; this includes monthly Investment committee meetings

Appendix 1 Sustainability risks at asset class level

1. Definition of ESG risks

Sustainability risks - or just ESG risks - cover climate and environment (E), social (S) or governance (G) events, which - if they arise - may have a negative impact on PenSam's investments. Based on the recognition that climate change is a reality and that a green transition of the world economy is necessary, there is a distinction between two groups of risks in the field of climate and the environment: 1) Transitional risks and 2) Physical risks.

Overall, transitional risks arise when society tries to address environmental and climate-related challenges. These are linked for example to developments in policy and regulation, technology change, new business models or changes in consumer behaviour. These are all things which may potentially have a negative effect on PenSam's investments.

Physical risks are normally divided into acute and chronic risks. Acute risks are sudden/extreme weather events, while chronic risks arise as a result of new, lasting climate patterns, including increases in water levels, increased temperatures and environmental changes (such as biodiversity changes). Transitional risks and physical risks are detailed below:

1) Transition risks comprise:

- *Political and legal risks* – political initiatives directed at counteracting the effects of climate change (carbon tax), energy improvement measures or subsidy schemes. Legal risks are associated with legal actions and law suits in connection with pollution or climate-harming activities, etc.
- *Technological risks* – technological advances/disruption within reneweable energy, leading to changes in the competitive situation, including lower demand for conventional types of energy.
- *Market risks* - changes to the supply of/demand for specific products and services as a result of changes in consumer behaviour, etc.
- *Reputational risks* – negative media coverage, pressure from NGOs, demonstrations by the general public.

2) Physical risks comprise:

- *Acute - extreme events, including extreme heat and flooding.*
- *Chronic – risks as a result of lasting changes to climate and weather patterns globally, such as increased water levels, higher average temperatures, and derived demograhic changes.*

In addition to the climate and environment risks mentioned above, PenSam's investments are also, to a varying extent, exposed to *social risks* (infringement of human rights and conventions, child labour, etc.) and *management-related risks* (fraud, corruption, failing corporate governance, etc.).

2. General aspects of ESG risk exposure

Overall, PenSam invests in the following asset classes:

- Listed shares
- Liquid credit (corporate bonds and government bonds from developing countries)
- Alternative investments (PE, illiquid credit, infrastructure)
- Real property

- Government bonds and mortage bonds

With the exception of government bonds and mortgage bonds, as well as certain types of green infrastructure, it is PenSam's assessment that most of these asset classes are exposed - to a bigger of lesser extent - to all/almost all ESG risk types.

However, there is a significant difference in the extent to which the individual ESG risk types are prominent/significant for the different asset classes.

For example, physical risks are assessed - relatively speaking and on the basis of a general consideration - to be more prominent for infrastructure and real property investments than is the case for many listed shares and corporate bonds, PE and illiquid credit.

Physical risks may also be prominent for certain types of mortgage bonds, where factors such as energy supply and consumption, proximity to the coast and water levels may have a significance for investments now or in the future.

If, conversely, we look at transitional risks – such as climate policy and technological advances in renewable energy -, the assessment is that these are more prominent in regard to listed shares, corporate bonds and PE than is the case for infrastructure and real property investments.

The section below offers an outline of PenSam's assessment of the most significant ESG risks of the different asset classes.

3. Significant ESG risks in PenSam's investment portfolio

Listed shares and liquid credit

Today, PenSam's investments in listed shares and corporate bonds are managed by external asset managers.

The portfolio of listed shares follows the MSCI ACWI Climate Change Index. This index has a clear climate profile with a clear underweight of traditional energy companies which extract and distribute fossil fuels, while, conversely, it has an overweight of companies offering products and services which contribute positively to the green transition.

The portfolio of liquid credit also follows a climate-adapted index which defines the investment universe. The investment universe is adapted on an ongoing basis, but at the present time it excludes companies which extract and distribute fossil fuels.

Even if the listed share portfolio has been highly diversified and follows the MSCI ACWI Climate Change Index, and even if similar initiatives have been taken for liquid credit, it is PenSam's assessment that most of the companies in the listed share and bond portfolio are exposed to all/practically all ESG risks in the two main groups, *physical risks* and *transitional risks*.

This also applies to companies whose activities are green today, since their business is exposed to political risks, for example in the form of regulation/subsidies to competing, sustainable products and services. Also, green companies are exposed to a siginificant extent to technological and market-related risks, since it is not a given thing which technological solutions will appear in the future and drive the different sectors of the economy. Among many examples are the discussions of nuclear energy versus the established, renewable energy sources, such as wind, sun and water.

Another example is the manufacturing industry, where research and development are going on into sustainable cement and steel production, where the potential is still unclear seen in an investment perspective.

As regards transitional risks, it is also relevant to stress the EU taxonomy, which across sectors and activities will define sustainable and non-sustainable investments. It is likely that the US, China and a number of the other economies in the world will introduce similar regluatory measures in the coming years, so as to promote sustainable developments. A substantial proportion of PenSam's share portfolio is placed in US companies, which is why regulatory measures of this type will have a major impact.

As regards physical risks – both acute (extreme weather events) and chronic (changed climate pattern) -, it is PenSam's assessment that most of the companies in the listed portfolio are exposed to these to a greater or very limited extent. Industrial, trading and manufacturing companies with extensive supplier chains must be assumed to be more exposed than is the case for certain other types of companies, for example in software and finance.

PenSam has carried out a number of test analyses of the climate risk of the listed share portfolio. This has been done by using MSCI's Climate Value-at-Risk model (Climate VaR). This model does not cover all climate and environment risks, far from it, but it does give an indication of the transitional risk (political risk and technological opportunities) as well as physical risks (acute and chronic risk, based on climate models and statistical data) for a specific portfolio. Climate VaR covers a time horizon of 60 years (in the model, the current value of future money flows 60 years ahead is estimated), and the Climate VaR figure expresses the expected loss/gain per USD 100 million that has been invested.

A Climate VaR test analysis shows that the model-estimated loss suffered by PenSam's listed share portfolio is moderate/low. The estimated loss as a result of physical risk amounts to -6.70% (USD -6.7 mill./USD 100 mill.), while the political risk amounts to -6.24% (USD -6.24 mill./USD 100 mill.). Conversely, the so-called 'technological opportunities' of the share portfolio are assessed as being considerable (+4.38%), which results in an aggregated Climate VaR of -8.56%.

Climate VaR is used only for testing and as a hallmark of ESG risk, so the model is not integrated in PenSam's other risk management.

Alternative investments excl. Danish real estate

PenSam's alternative investments in unlisted shares, illiquid credit and foreign real estate are administered by foreign funds. These funds are monitored on an ongoing basis for ESG-related matters.

The area of unlisted shares and unlisted debt is generally seen to be exposed to the same ESG risk types and already described for the listed shares area.

The underlying companies in the unlisted shares and illiquid credit funds have not been reviewed to the same extent as listed shares and corporate bonds. Work is going on at PenSam to review all companies, one of the purposes of which is to be able to use the same monitoring and structured, methodical approach for the field of ESG as for the other parts of the investment portfolio (Exclusion, Active Ownership, Impact Investment).

As regards impact investments/green investments, the review of the underlying companies is also relevant with a view to the phasing-in of the EU taxonomy, including better possibilities of directing investments to sustainable companies.

PenSam's infrastructure investments are also made via external asset managers. A considerable part of our investments are directed to substainable infrastructure, where ESG risks are naturally limited. However, green infrastructure investments (solar panels, wind farms, electric trains, etc.) are exposed to physical risks, such as extreme weather. Also, there is a limited exposure to changes in the political landscape, as well as changes to the future competitive situation in comparison with competing renewable types of energy. However, some of these risks have been mitigated via long-term contracts on the purchase of electricity, etc.

In addition to sustainable infrastructure, PenSam also invests in a number of other activities, such as hospitals, motorways, habour dock facilities, water installations (dams) and railways. Siginificant ESG risks for this type of assets are also deemed to be physical, including hurricanes, flooding or other weather extremes.

Danish real estate

Direct property investments are today handled internally by PenSam's investment department, where the investment process includes sparring with/consulting from external players (such as asset managers). Recommendations for decisions – including a financial analysis of return and risk, etc., as well as due diligence and an analysis of ESG-related matters – are submitted to PenSam's investment committee for approval.

PenSam's directly owned properties are all located in Denmark, while a small part of the total property portfolio has been investment in foreign property funds.

Since the largest share of PenSam's property portfolio consists of Danish properties (residential and offices), the physical risks are deemed to be very limited, although the risk of extreme weather events in Denmark is certainly a possibility. However, PenSam's portfolio is not characterised by being placed close to the coast, and the properties have been secured against storms and climate effects to a great extent, so they are assesed to be able to tolerate even very extreme weather.

As opposed to physical risks, transitional risks – in particular political factors in the form of changes to taxation or energy charges and energy improvement measures – are deemed to be most significant. Changes to taxation in particular may influence the owner-paid operating costs considerably and lead to changes in the market value of the property portfolio. Also, stricter requirements concerning energy improvement may lead to heavy modernisation costs.

It is of central importance to mention that PenSam has an ambitious sustainability strategy for its property portfolio, including such measures as:

- Reducing CO2 emissions by 50% in 2025 compared to June 30, 2021
- Enhancing energy labels by 25% in 2025
- Establishing charging stations for electric cars on the parking lots of the portfolio
- Obtaining sustainability certification of >20% of the properties in the portfolio (measured by floorage) in 2025.

The above-mentioned goals are expected to contribute considerably to mitigating the ESG risks of the real property portfolio.

Government bonds and mortgage bonds

The management of Danish government bonds and mortgage bonds - as well as certain types of highly rated European bond types - is done internally by Pensam's investment department, while the management of foreign government bonds, including those issued by emerging market countries, is carried out by selected, external asset managers subject to ESG screening.

Danish government bonds and mortgage bonds make up a very considerable share of PenSam's investment portfolio. Nevertheless, the exposure to ESG risks is deemed to be limited.

The creditworthiness of the Danish state is not deemed to be significantly affected by climate risks. In addition to the fact that the Danish state is characterised by healthy public finances and low soveign debt (and a high credit rating), it is also worth mentioning that Denmark and Northern Europe are not deemed to be among the regions in the world, where exposure to climate change/climate extremes is deemed to be the highest. This is supported by reports and studies, for example by the ECB (2021).

In a future scenario where global warming gets out of control, and where the climate pattern for Denmark and its nearby areas changes radically, it is deemed to be likely that there will be a negative impact on the public finances, which may change the present ESG risk picture for bonds issued by the Danish government.

As regards Danish mortgage bonds, the ESG risk is also deemed to be limited. This is supported by the fact that the indirect exposure of Danish private dwellings, which make up the collateral, is very well diversified. Furthermore, the same location aspects apply as for government bonds, and Danish dwellings are not deemed to be exposed to climate and weather-related risks to an extent which is not covered by standard house insurance.

Government bonds issued by emerging market countries are normally associated with higher risk if compared with Western Europe and the US, etc. If ESG risks are considered separately, the risk of weater extremes/changed climate patterns, but also governance risks, is deemed be higher than for the more developed economies.

A number of emerging market countries, including countries in Central and South America, are characterised by being located in areas that are highly exposed to climate change. This may potentially have a negative impact on state finances in the form of disaster assistance costs, reconstruction costs, and preventive measures, such as coastal protection.

As regards governance, various developing economies are characterised – in some cases - by a mixed central administration culture, where the risk of corruption and subversive decisions is considerable in an investment context.

Appendix 2 Conventions and international agreements

PenSam's investments in companies are being monitored on the basis of the conventions and international agreements listed below:

- FN Global Compacts 10 principles
- Principles for Responsible Investment (UN PRI)
- OECD Guidelines for Multinational Enterprises
- The Paris Agreement COP21
- International and Danish sanctions
- Universal Declaration on Human Rights
- UN Guiding Principles on Business and Human Rights
- ILO Core Conventions
- ILO Convention 155 Occupational Health and Safety
- Kyoto Protocol
- Montreal Protocol
- Convention on Biological Diversity
- Ottawa Convention on Anti-Personnel Landmines
- UN Convention against Corruption
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction
- The Chemical Weapons Convention
- The Convention on Cluster Munitions (Oslo convention)
- Treaty on the prohibition of nuclear weapons

Appendix 3 The Ten Principles of the social responsibility of companies/The UN's Global Compact

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.

Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Antikorruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Appendix 4 The UN's Principles for Responsible Investment (UN PRI)

The six principles of responsible investments:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Appendix 5 Principles for voting

The overall principles for voting are as follows:

- The annual report is approved, unless there is reason to believe that the annual report is misleading.
- We vote for granting discharge to board and management, unless we find they are no longer reliable.
- We vote for the board's proposal for the appropriation of profits or covering of losses, unless:
  - The dividend is unreasonably low, taking the company's solidity and investment programmes into account
  - The dividend is inappropriately high, given the company's financial position
- We vote in favour of the board candidates proposed by the board, unless:
  - There are conflicts of interest
  - The interests of minority shareholders are seriously disregarded
  - The board does not comply with corporate governance rules
- We vote for candidates unless we find that they will not be able to contribute to the running of the company.
- The remuneration offered must be competitive and reasonable, given the company's size, domicile, line of work, and the results achieved.
- We vote for bonus schemes, option schemes, share warrants and other incentive schemes, provided we find that they contribute towards creating value for shareholders.
- We vote against incentive schemes not deemed to be in the shareholders' interest.
- We vote in favour of proposals to change the capital structure, unless there is reason to believe that this would be against PenSam's interests.
- Generally, we vote against og abstain from voting in favour of the current chairman of companies which emit considerable amounts of greenhouse gases (CHG), where
  - The company has not published adequate information about its emission of greenhouse gases, or
  - The company has not set goals for reducing these emissions in accordance with the international climate objectives determined in the Paris Agreement.
- We vote in favour of shareholder proposals concerning social, labour-related or environment-related matters which promote conditions, while at the same time strengthening shareholder and stakeholder values.
- We vote based on what is deemed to be in the shareholders' interest in each situation.

Appendix 6 Statement on Active Ownership Recommendation 2023

Recommendation	Comply-ing	Comment
Recommendation 1: Active ownership policy It is recommended that institutional investors should publicly disclose an active ownership policy with respect to investments in shares in companies that are publicly listed in Denmark.	Yes	PenSam's policy for active ownership is available at pensam.dk.
Recommendation 2: Monitoring and dialogue It is recommended that institutional investors monitor and engage in a dialogue with the companies in which they invest, taking account of the investment strategy and the principle of proportionality.	Yes	PenSam does not have a separate Danish equity portfolio, but is a part of the global equity portfolio, and at 31/12 2023, PenSam had 15 Danish equity investments.
Recommendation 3: Escalation It is recommended that, as part of their active ownership policy, institutional investors should determine how they may escalate their active ownership activities beyond regular monitoring and dialogue.	Yes	In case of specific issues, dialogue may be escalated in that PenSam's associate, Sustainalytics, engages with companies to influence them in a positive direction. In special cases, PenSam itself will enter into a dialogue with individual companies.
Recommendation 4: Collaboration with other investors It is recommended that, as part of their active ownership policy, institutional investors should describe how they will act collectively with other investors to achieve greater effect and impact.	Yes	PenSam participates in various forums with other investors to increase the effect of active ownership. It can be Climate Action 100+, Pri, Dansif og Sustainalytics
Recommendation 5: Voting policy It is recommended that, as part of their active ownership policy, institutional investors should adopt a voting policy and be willing to publicly disclose whether and how they have voted.	Yes	PenSam cooperates with ISS as its proxy agent and votes at all Danish and global general meetings.

Recommendation 6: Conflicts of interest It is recommended that the active ownership policy should contain a description of how conflicts of interest in relation to active ownership are identified and managed.	Yes	Since PenSam is a labour market pension insurance company, there is not deemed to be any conflicts of interest.
Recommendation 7: Reporting It is recommended that institutional investors should report, at least annually, on their active ownership activities, including voting activity.	Yes	PenSam will report annually at pensam.dk on its active ownership.

Appendix 7 Active Ownership Policy (as per the Danish Insurance Business Act)

1. Objectives and strategies

The purpose of this Active Ownership Policy is to determine how PenSam Pension exercises active ownership as part of their investment work in accordance with the Board of Directors' Policy for Investments.

It is PenSam's goal to be an active owner, influencing companies in the direction of responsible value creation to the benefit of shareholders. Active ownership is thus assessed to be able to influence the return on the share portfolio positively. By engaging actively in companies in selected areas, PenSam together with other investors may influence their leadership and strategic decisions. This may lead to better company management, increased transparency, and more responsible business practices, which at the end of the day may result in higher returns to investors.

Active ownership must be done at a level that corresonds to other comparable, institutional investors and through active us of PenSam's principles for responsible investments and principles for exercising owner authority as specified in the Investment Policy, the principles of this Policy, and in the preparation and publication of an annual statement on how these policies are used in practice. The policy applies to PenSam Pension, in the following called PenSam. The policy applies to investments in Danish as well as foreign shares.

2. Principles for Active Ownership

The principles for active ownership, cf. above, must be used no matter whether the investment decision is made directly by PenSam, has been outsourced to an external investment manager, or is made via underlying investments, such as Kapitalforeningen PenSam Invest.

PenSam's equity exposure is done via a few global mandates, which are close to the selected benchmark, so no major positions are taken in regions, countries, sectors or invidual companies in relation to the benchmark. Consequently, a number of matters relating to markets and companies are not relevant for monitoring. This applies, for example, to individual companies' strategy, results and expectations regarding these, and their risks.

This means that the choice of benchmark becomes of the essence in regard to exposure of the portfolio, since the benchmark will guide the composition of the portfolio. When choosing the benchmark, it is ensured that the benchmark will give a satisfactory spread across countries and secrtors, and that long-term opportunities and risks in global share markets are taken into account to the greatest extent possible. One particular point of concern in this connection is long-term sustainability risks, where the chosen benchmark integrates concerns for this risk. A benchmark has thus been chosen which, among other things, reduces exposure to companies with high CO2 emissions, while at the same time increasing exposure to companies with activities related to sustainable transition. Monitoring of the portfolio will be done primarily within the areas of social and environmental impact, as well as good corporate governance.

PenSam may use external service providers to carry out all or parts of the tasks in this policy. In such case it must be ensured that the service provider(s) concerned base their work on the principles laid down in this policy, as well as in PenSam's other policies and guidelines. The role of external service providers regarding specific assignments is detailed below.

3. Monitoring, dialogue and escalation

As part of normal investment work, PenSam's investment department must monitor investor-relevant reporting.

PenSam uses a service provider to monitor investments made. In such case, it must be ensured in the agreement with the service provider that monitoring is based on the principles laid down in PenSam's policies and guidelines.

If a breach of these principles is ascertained, PenSam (or its service provider) will engage with the company concerned. If no progress in the company's behaviour is witnessed, and it is deemed that, by remaining a shareholder, PenSam cannot influence the company's behaviour, the company may be excluded from PenSam's investments, covering all financial instruments in accordance with the principles of the Policy and Guidelines for Responsible Investments and Active Ownership.

PenSam's investment department must ensure that procedures are established for the handling of internal knowledge if, in the dialogue with the company, PenSam acquires such knowledge.

4. Cooperation with other investors, voting policy, and conflicts of interest

If it is found to be beneficial for PenSam, cooperation with other institutional investors may be established with a view to achieving more effect and influence for PenSam's points of view. In this connection it must be ensured that such cooperation does not lead to a conflict with the rules on obligatory take-over offers in current legislation.

PenSam takes part in class action lawsuits, etc., with a view to achieving financial compensation for mistakes made by the companies in which investments have been made; this is done to the extent a financial gain is deemed to be obtainable. Furthermore, PenSam may also participate in class action lawsuits, etc., in cases expected to result in an overall cost to PenSam, provided this is nevertheless deemed to be in PenSam's overall interest considering the objective of promoting responsible value creation.

PenSam uses external service providers to handle its voting (on the basis of the principles for voting laid down in the Policy and Guidelines for Responsible Investments and Active Ownership at general meetings in companies where PenSam is a shareholder.

Voting in Danish companies is monitored by PenSam's Investment Department, and, where demeed appropriate, PenSam may participate in companies' general meetings. With the purpose of preventing conflicts of interest, there must be the required organisational division to ensure that employees making deals and being responsible for risk-taking are not identical to the employees responsible for cooperation agreements, etc., with companies where PenSam is a shareholder.

PenSam's Board members may have a conflict of interest regarding companies where PenSam is/wishes to become a shareholder. In such case, the Board member concerned is deemed to be legally incompetent and may not participate in discussions and/or decision-making regarding the company concerned.

Since PenSam is a labour market pension company, there can be no conflict of interests in relation to its members.

5. Reporting

Once a year, a statement is to be prepared, offering a specific description of how PenSam has worked with the principles of this policy in the past year, seen in relation to Danish shares. This statement must be published on PenSam's website. Moreover, PenSam prepares an annual report on Active Ownership.

In addition, PenSam publishes its vote at general meetings where PenSam is a shareholder.

Appendix 8 PenSam's Associates and Networks

Associates/Networks	Description
FN Global Compact	PenSam supports the UN Global Compact initiative, which provides general principles for the work of companies as entities responsible to society. These principles are based on international conventions on human rights, labour standards, the environment, and climate, as well as anti-corruption. Global Compact also facilitates the work of companies as they contribute to the UN's 17 Sustainable Development Goals, the SDGs.
Dansif	PenSam is a member of Dansif, a forum for intuitional investors and organisations with activities in Denmark, involving intuitional investors with a major interest in responsible investments. The purpose is to disseminate information and exchange experience with the other members. Dansif hosts several events and seminars each year, encouraging knowledge exchange and discussions about relevant topics within the field of responsible investments.
Sustainalytics	PenSam cooperates with Sustainalytics, a screening and engagement company functioning as a globally independent analysis and consulting company. Sustainalytics delivers ESG data and analyses which form part of PenSam's work on responsible investment management. Furthermore, Sustainalytics engages with companies on behalf of PenSam since we wish to influence companies to change their practices in case of problematic issues.
ISS Proxy Voting	PenSam cooperates with ISS Proxy Voting on voting at general meetings in public limited companies in which we invest. As a matter of principle, PenSam votes at all general meetings of these companies. ISS Proxy Voting votes on behalf of PenSam based on a voting policy founded on PenSam's approach to business management and guidelines for responsible

	investments. PenSam has an online portal showing the votes cast at general meetings.
The Institutional Investors Group on Climate Change (IIGCC)	PenSam is a member of IIGCC, a European network organisation for institutional investors cooperating on climate change. IIGCC publishes various analyses, has contact to the EU and local governments, and participates in network events, etc. IIGCC's central task is to participate in political discussions at international level with a view to creating the best possible investment framework in areas of significance regarding the climate.
Climate Action 100+	PenSam participates in Climate Action 100+, a global, investor-driven initiative involving IIGCC, PRI, and others; this initiative makes investors join forces to put pressure on the 100 biggest CO2 emitters. The purpose is to make these companies reduce their emissions, increase the level of information on the companies' emissions, and improve the management of climate-related risks.
Paris Allighed Investment Initiative (PAII)	PenSam is a member of the PRI organisation, an UN-supported network organisation comprising institutional investors, investment banks, and investment advisors. PRI is working to disseminate principles for responsible investments in the form of six general guidelines for investors working with social responsibility. These principles were launched by a group of international investors supported by the UN and Global Compact.
Principles for Responsible Investment (PRI)	PenSam supports TCFD, a global forum which has developed several recommendations on how companies should report on climate risks. TCFD's recommendations say that companies should identify and handle actual and potential financial risks and opportunities arising in the transition to an economy emitting fewer greenhouse gases. The background for the TCFD recommendations is an assumption that increased openness and information about risks are a prerequisite for markets to be able to

	include climate-related risks and opportunities when making calculations.
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES Task Force on Climate Related FinancialDisclosures (TCFD)	Paris Aligned Investment Initiative (PAII) is a cooperation-oriented forum allowing investors the possibility of adapting their portfolios and activities to goals of the Paris Agreement. PAII was established in 2019 by Institutional Investors Group on Climate Change (IIGCC). From 2021, this initiative has grown to become a global cooperative effort suppurted by four regional investor networks.
TNFD Taskforce on Nature-related Financial Disclosures **Taskforce on Nature -** related Financial Disclosures (TNFD)	PenSam supports TNFD, whose purpose is to develop a conceptual framework and recommendations on how financial institutions and companies can integrate biodiversity-related risks and opportunities into their strategic planning, risk management, and asset allocation decisions

Appendix 9 PenSam's Tax Policy

PenSam's overall tax policy is that everybody must pay their taxes – no more, no less.

As a responsible investor, PenSam wishes to see increased transparency and openness in the field of taxation, including the use of country-by-country-reporting (CBCR), and more transparency regarding the countries on the EU blacklist and grey-list.

PenSam's objective is to maximize returns after costs and tax within the legal and actual intensions of tax legislation in the countries where PenSam makes investments.

PenSam will not be a party to tax evasion and expects from its business associates that no investment or investment structure has been organized with the purpose of tax evasion. Furthermore, we expect our business associates not to carry out any deliberate action infringing the OECD's BEPS recommendations.

PenSam expects the companies in which PenSam has invested to a have policy in place which ensures compliance with applicable tax legislation. If PenSam becomes aware that this is not the case, the investment concerned will be reconsidered.

PenSam does not believe that aggressive tax planning contributes towards the long-term return on investments.

Pensam wishes for tax payments to be divided according to fair and appropriate principles between the activity country and Denmark.

When PenSam is to make investments, it is a prerequisite that the countries of such investments have an agreement with Denmark on the exchange of tax information.

Before an investment is made, PenSam cooperates with external consultants to make an analysis of the tax situation and transparency of the investment concerned, where relevant. This ensures that PenSam has insight into the tax situation that exists in different countries.

When PenSam invests abroad in cooperation with others, the underlying investments are made via investment companies/funds placed in countries which have the legal infrastructure to handle PenSam's request for tax transparency. In line with the condition that information is to be exchanged, PenSam can only invest in countries which have made an agreement with Denmark on the exchange of tax information; this means that bank information, etc., is made available to the Danish tax authorities.

It must be noted that Denmark also has an agreement on the exchange of information on transparency with countries such as the Cayman Islands, Jersey, and Guernsey, so that in each situation transparency on taxes is ensured.

If, following the conclusion of an investment agreement, PenSam becomes aware of an infringement of PenSam's rules, the issue will be scrutinized. PenSam will enter a dialogue with the business associate concerned to see how the matter can be solved, so that any infringements may be stopped. In a worst-case scenario, future cooperation may be affected.

Appendix 10 Tax Code of Conduct

Tax Code of Conduct

FOUNDING PARTNERS

ADOPTED BY

PREAMBLE

Tax revenue forms an essential part of a well-functioning society and constitutes a fundamental building block and funding source in achieving the UN's Sustainable Development Goals which focus on improving welfare, justice, education, emergency services, health, and environmental protection in developed and developing countries.

Internationally, there has been a growing focus on preventing aggressive tax planning and achieving increased transparency in the area of tax, resulting in a range of important international initiatives including the OECD's Base Erosion and Profit Shifting project and the EU Anti-Tax Avoidance Directives.

The Danish institutional investors ATP, PFA, PensionDanmark and Industriens Pension and the acceding parties (the "Investors") recognize the importance of tax as an integral measure in achieving the UN's sustainable goals as well as the need for a common framework for responsible tax behavior. The Investors wish to support and contribute to these developments as part of their responsible investment strategy.

The pension funds are subject to a fiduciary duty to their pension members with respect to selecting and managing their investments in the most optimal manner possible. Foundations, associations etc. are in a similar manner subject to a fundamental objective of managing their investments in the most optimal manner.

To facilitate the above principles, ATP, PFA, PensionDanmark and Industriens Pension have developed a mutually agreed set of tax principles for unlisted investments in the form of this Tax Code of Conduct outlining how the external managers (the "Manager") should behave in the area of tax with the aim of ensuring more efficient and sustainable investments from a tax perspective.

The Investors will endeavor to ensure that the Manager act within the framework of the Tax Code of Conduct. However, this cannot be guaranteed as the degree of influence that the Investors have over the Manager varies and depends on various factors including whether the Investors constitute majority or minority investors.

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1. Investors' Expectations of the Manager

The Investors expect the Manager to use best efforts to ensure compliance with applicable tax law and regulations within the jurisdictions where the investments are made and in such a way that consideration and foresight is given to tax law developments and international initiatives.

The Investors expect the Manager to use best reasonable efforts to act in accordance with the Tax Code of Conduct and encourage the Manager to implement and/or maintain a tax policy.

2. Tax Planning

The Investors welcome the various international tax initiatives aimed at defining a set of coordinated international rules and eliminating tax avoidance such as e.g. OECD's Base Erosion and Profit Shifting project, and encourage the Manager to anticipate these developments, when possible, and seek to implement structures that are sustainable in the long term.

Due to the Investors' fiduciary duties to their pension members and stakeholders with respect to the efficient management of the investments the Investors encourage the Manager to consider tax planning opportunities that prevents double taxation and maximizes the after-tax-return for its investors. However, the Investors urge the Manager to carefully consider such planning and only to undertake non-aggressive tax planning.

The Investors accept non-aggressive tax planning, which aims to ensure fair competition and avoid double taxation, as exemplified below (the list is not exhaustive):

(a) General use of holding companies

(b) General use of available double taxation treaties where the business substance justifies the use of a specific double taxation treaty

(c) General use of current and historic tax losses to reduce taxable income

(d) General use of debt financing

(e) Use of hybrid entities for non-aggressive tax planning.

The Investors do not accept aggressive tax planning. The Investors define aggressive tax planning as exploitation of technicalities in a tax regime or as exploitation of inconsistencies between tax regimes in order to reduce tax liability. The Investors expect the Manager to use best reasonable efforts not to engage in aggressive tax planning or structuring as exemplified below, or which conflicts with applicable tax law:

(a) Abuse of tax treaties, where holding companies which do not have sufficient substance in line with the OECD Principal Purpose Test, are used for the sole purpose of reducing or avoiding withholding tax.

(b) Transfer pricing planning for tax avoidance purposes

(c) Use of financial instruments for aggressive tax planning

(d) Use of hybrid entities for purposes of aggressive tax planning.

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3. Restricted Jurisdictions

The Investors support increased transparency and the international initiatives that are implemented at OECD and European level towards increased transparency. In line with these principles, the Investors expect the Manager to also support these initiatives by using caution when investing in portfolio companies and not investing in intermediary holding companies incorporated or tax resident in:

(a) Jurisdictions that are deemed "not compliant" according to the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes peer review process at the time of the investment[1], or

(b) Jurisdictions listed on the EU's list of non-cooperative tax jurisdictions at the time of the investment.[2]

4. Investments in Developing Countries

The Investors encourage the Manager to use caution in relation to tax structuring when investing into developing countries.

The Investor recognizes the right of governments to design their tax policies so that specific industries or areas become developed and for the Manager to make use of such generally available incentive schemes, e.g. in the form of depreciation and/or tax credits. However, the Investors encourage the Manager to use caution in the use thereof in developing countries.

Similarly, the Investors encourage the Manager to display caution when using shareholder loans as financing in developing countries and avoid the use of highly leveraged acquisition structures in jurisdictions without general interest limitation rules in line with OECD/US principles with the aim of reducing taxable income not in line with international market standards.

5. Transparency and Dialogue

The Investors expect the Manager to be transparent on its approach to tax and further expect the Manager to engage cooperatively in dialogue with the Investors.

The Investors will carry out spot checks on the Manager's general tax practises and expect the Manager to co-operatively enter into a dialogue if the Investors find that the Manager do not act in accordance with this Tax Code of Conduct. The Investors expect the Manager to cooperate and use best efforts to provide relevant information reasonably requested by the Investors.

The Investors expect the Manager to use best efforts to comply with the requirements under the mandatory automatic exchange of information rules contained in European Council Directive (EU) 2018/822.

6. Future Developments

Tax matters are dynamic and complex and social norms evolve over time. The Investors continuously monitor the development of international tax practice.

The Investors engage into an active dialogue with other institutional investors and fund managers in order to discuss initiatives to responsibly reduce tax risks associated with investments.

This Code of Conduct will be updated as needed.

[1] Reference is made to the OECD's website: http://www.oecd.org/tax/transparency/documents/exchange-of-information-on-request-ratings.htm
[2] Reference is made to the European Commission's website: https://ec.europa.eu/taxation_customs/tax-common-eu-list_en

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Appendix 11 PenSam's Code of Conduct

PenSam provides labour market pensions to 450,000 pension customers working primarily in the public welfare sector, where they provide elderly care and pedagogical care. On behalf of our customers, we as investors want to take social responsibility and contribute towards generating a good return on a responsible basis.

Consequently, values relating to responsibility and decency form an integral part of PenSam's business culture and operations. This also applies when we invest, and we have the same expectations from our associates in the administration of investments.

General expectations

In addition to the above-mentioned values and attitudes, PenSam's Code of Conduct is based on several international guidelines and conventions, including the ten general principles of the UN's Global Compact for the work of companies with social responsibility.

This means that, when investing, PenSam complies with the guidelines of the UN's Global Compact. We also expect our associates in the administration of investments to do so.

This also means that we expect human rights to be respected, and we expect compliance with international conventions on the environment and working conditions. Furthermore, we expect our associates to always comply with national legislation and provisions, and not to take part in any infringement of the rights of individuals.

We expect our associates to be aware of their social, managerial, and financial responsibility.

Furthermore, PenSam expects from its associates that no investment or investment structure is organised with the purpose of aggressive tax planning. We also expect our associates not to perform any action which deliberately counteracts the OECD's BEPS recommendations.

Breach or infringement

To PenSam, direct dialogue with associates in the administration of investments is of the essence. If PenSam sees or is made aware that associates do not live up to PenSam's expectations, PenSam will launch an examination to clarify the degree of such failure to live up to expectations.

PenSam will enter a dialogue with the associate to find out how the situation can be improved. If PenSam does not find that associates in the administration of investments show any willingness or ability to change their behaviour, PenSam will reconsider the cooperation that has existed.

Appendix 12 PenSam's Social Clause for Real Estate Investments

1. SOCIAL CLAUSE

1.1 Turnkey contractors must ensure that the employees engaged by the turnkey contractor, the subcontractors of the turnkey contractor, as well as the subcontractors/suppliers of the subcontractors to perform the turnkey contract (jointly defined as "the employees"), have wage conditions and conditions of employment which are not less favourable than the wage conditions and conditions of employment specified in collective agreements, legislation or administrative provisions applying to work of the same nature within the trade or industry concerned within all of Denmark.

1.2 To ensure that the turnkey contractor lives up to the implementation of this clause, this matter is to be a separate item on the agenda of each construction meeting, where the turnkey contractor is to be provide information about the employees' wage conditions and conditions of employment; the information thus provided is to be entered in the minutes of each construction meeting

1.3 The developer may at any time request documentation to verify that wage conditions and conditions of employment of the employees live up to the requirements mentioned above. Such documentation must reach the developer not later than seven days after such request has been forwarded, unless the documentation concerned cannot be delivered physically, e.g., because of processing time for the preparation of wage slips, translation of foreign documents, etc., In such cases, documentation must be made available immediately and not later than five days after the material became available to the turnkey contractor.

1.4 The turnkey contractor is liable for any cost and/or delay imposed on the developer as a result of employees failing to comply with obligations under this clause

1.5 The developer may withhold remuneration to the turnkey contractor, provided the turnkey contractor does not comply with his obligations under this clause, and provided this leads to a warranted claim for additional pay from the employees. Whether such claim is warranted will be decided in accordance with labour legislation rules. The amount of such withheld amount will be determined as the claim advanced or the estimated value of such claim if the claim has not yet been calculated. Such withheld amount will be released without undue delay if the turnkey contractor is able to document that the claim is unwarranted, or when the claim has been met.

1.6 The turnkey contractor may be held liable to pay a contract penalty if this clause is infringed. The contract penalty per working day or part thereof corresponds to DKK 30,000 per day, until such infringement has been ended. The collection of the contract penalty will be put on hold during the period when the case is being processed based on labour legislation, but collection will be resumed when a labour legislation decision has been made to the effect that the clause has been infringed. In such case, the daily contract penalty will be payable, until the advanced claim has been met. The amount may be offset against the turnkey contractor's remuneration or the guarantee provided by the turnkey contractor as the developer sees fit. If the claim turns out to be unwarranted, the full daily contract penalties will be refunded

1.7 Furthermore, the turnkey contractor is obliged to engage 5 full-year interns/apprentices (corresponding to 1,924 hours of work per full-year intern/apprentice, incl. holidays, illness, college stays, etc.) in connection with performance of the turnkey contract.

1.8 The general contractor also commits to employing 2 disadvantaged individuals in job training positions (equivalent to 1,924 working hours per disadvantaged individual in job training positions, including vacation, illness, school attendance, etc.) in connection with the fulfillment of the Turnkey Contract Agreement.

1.9 If the general contractor, upon completion of the task, has not fully employed the required number of full-time equivalents as stated in section 1.7 and 1.8, or does not provide documentation thereof, a penalty of DKK 50,000 per missing full-time equivalent shall be imposed. Any penalty may be offset against payments to the general contractor, including in the general contractor's final invoice, or asserted against the guarantee provided by the general contractor at the Owner's discretion

1.10 The total liability of the general contractor as per section 1.9 shall not exceed DKK 500,000 excluding VAT.

1.11 Violation of this clause shall also be considered a breach of the Turnkey Contract.