

FPO8.4 Policy on Responsible Investment

HP Fondsmæglerselskab (HP Fonds) is a specialised asset manager focused on Danish government and mortgage bonds, as well as European green bonds. Our investment philosophy is to generate excess return by identifying and exploiting relative value between bond segments. This is a value-based approach, where an understanding of sustainability risks and consideration thereof is a fundamental cornerstone. HP Fonds primarily offers asset management services to professional investors through UCITS and capital associations, as well as through individual mandates. HP Fonds employs 13 staff members, six of whom are directly involved in investment decision-making, while the remaining employees are responsible for settlement, control, compliance, sales, and reporting.

Legal basis

This policy constitutes HP Fonds' policy for the integration of sustainability risks and its engagement policy with issuers of the bonds in which HP Fonds invests. The policy forms the framework for HP Fonds' compliance with relevant sustainability-related regulations, including:

- Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector ("Sustainable Finance Disclosure Regulation", SFDR).
- Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 ("Taxonomy Regulation").
- The Danish Act on Investment Firms and Investment Services and Activities, Act No. 1155 of 8 June 2021, §§ 219, 259, 275(6), 276(7), and Annex 4, Article 29(2).

Purpose of the Policy

The purpose of this policy is to establish the framework for integrating sustainability and responsible considerations into investment and decision-making processes, including the incorporation of ESG factors. With this policy, HP Fonds seeks to further formalise its commitment to investing on behalf of and alongside its clients with a shared ambition to support sustainable economic growth.

Sustainability risks are addressed separately in the Policy on Sustainability Risks.

HP Fonds holds the fundamental belief that efficient bond markets contribute to a sustainable and healthy democratic society by enabling bond managers to provide cost-effective financing opportunities to governments, private households, and businesses. In order for bond investments to be considered sustainable in this context, clear frameworks must be established to define which borrowers may receive funding and the requirements such borrowers must meet.

Focus areas

To support the purpose of this policy, HP Fonds has prioritized the following focus areas within its investment practices:

- Systematic analysis of issuers to identify sustainability characteristics and risks.

- Engagement with issuers to promote sustainable objectives.
- Exclusion of issuers from industries and countries that are not aligned with the purpose of the policy.

In addition to contributing to the objectives of the policy, these focus areas are intended to support a competent investment practice that minimizes the risk of HP Fonds being accused of greenwashing when investing on behalf of clients or for their own account.

Norm- and Activity-Based Screening

Based on HP Fonds' fundamental belief that bond managers should contribute to a sustainable society, HP Fonds has adopted specific positions that result in the exclusion of certain issuers from its investment practice. This is implemented through both norm-based and activity-based screening.

Norm-Based screening:

- Exclusion of government bonds issued by countries that grossly and repeatedly violate human rights.
- Exclusion of issuers that do not endorse the UN Global Compact, the UN Principles for Responsible Banking, the UN Guiding Principles, or similar standards.

Activity-Based Screening:

- Exclusion of issuers whose revenue is derived from the extraction of fossil fuels.
- Exclusion of issuers whose revenue is derived from the production and sale of controversial weapons.
- Exclusion of issuers whose revenue is derived from the pornography industry.
- Exclusion of issuers whose revenue is derived from the tobacco industry.
- Exclusion of issuers whose revenue is derived from gambling.

HP Fonds' assessments of issuers are based on screenings provided by third parties and publicly available information.

Implementation og monitoring

The implementation of this policy within HP Fonds' investment practice is anchored in the investment and risk departments, which are responsible for establishing the corresponding procedures. In practice, an assessment is carried out to determine whether bond issuers and specific bonds fall within the relevant investment strategy and align with HP Fonds' positions and accepted sustainability categories. This assessment forms part of the recommendation for the given investment.

The Compliance function oversees that the implementation is sufficiently robust and ensures that the policy's focus areas and any incidents are reported quarterly to the Board of Directors.

External Reporting and Communication

HP Fonds reports externally on an annual basis regarding its activities related to this policy, as well as in connection with its commitment to the UN PRI and the UN Global Compact. In addition, HP Fonds provides reporting in accordance with regulatory requirements and as agreed with its clients.

HP Fonds' reporting is available on the website hpfonds.dk.

Policy Governance

The policy is approved by the Board of Directors of HP Fonds at least once a year, and additionally as needed or in response to material or urgent matters.

HP Fondsmæglerselskab A/S
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