

Process for ethical screening and actions on investments

Background

The aim of the process is to describe how Tryg and its subsidiaries conduct ethical screenings of its investment holdings and handles issues in this regard. The ethical screening process is part of a larger responsible investment framework. See also “Responsible investment policy for Tryg A/S, including all subsidiaries (“Tryg”)” and “Active ownership policy for Tryg A/S, including all subsidiaries (“Tryg”)” on Tryg.com.

Tryg’s external investment managers are UN PRI signatories and have a natural inclination towards an ethical mindset. The screening is used as a supplemental tool to ensure that an investment manager does not invest in unethical companies. In such cases, we engage in dialogue with the investment manager to get an explanation. In case of unsatisfactory explanations and successive ethical breaches, Tryg will as a last resort terminate the investment manager agreement. Each investment mandate is carefully selected to play a specific role in the overall investment portfolio construction, and a lot of work is used to ensure a satisfactory solution to ethical breaches by seeking to persuade and thereby improve the ethical situation instead of immediately terminating the investment manager and allowing continued unhindered unethical practices.

Process

The ethical screening is carried out using a 6-step procedure and is described in more detail below.



Step 1. Screening

Screening is conducted by sending the portfolio holdings to an external screening provider, where ultimate parent company is used as screening identifier. The screening criteria are on **controversial weapons** and **controversial behavior**. Controversial behaviour means a violation of the Ten Principles of the UN Global Compact. Controversial weapons are mainly consisting of weapons, more specifically tailor-made and essential-level of involvement and/or significant ownership in companies of the former.

Tryg currently uses an external screening provider and their criteria definitions are therefore used to identify *potential* ethical breaches.

Step 2. Identification

Based on the screening in Step 1, a list of ultimate parents with potential ethical challenges is constructed. A materiality threshold is set to 0,01% of Tryg’s investment assets and position sizes above this level will be flagged. Positions held via passive investment vehicles (such as Exchange Traded Funds), which aim to track a broad universe, are not included in the screening.

Step 3. Initiative

If a flagged position is above the materiality threshold and Tryg agrees with the external screening provider in its evaluation of unethical conduct, Tryg will investigate further. The investment managers, which hold the identified potentially controversial companies, are contacted and asked to provide an explanation. If the provided explanation is satisfactory and deemed not to conflict with Tryg’s ethical intent, the issue will be closed, and no further action will be taken. If the provided explanation is unsatisfactory, dialogue is initiated in order to either obtain a satisfactory explanation or influence the investment manager to divest. The dialogue will continue as long as Tryg believes the issue can be resolved satisfactory within a reasonable time frame. Tryg’s Corporate Responsibility department is informed and included in the screening process.

Step 4. Consequence

If the dialogue does not yield a satisfactory outcome, Tryg will proceed to action. If the investment portfolio in question is a segregated mandate, the controversial security will be excluded from the investment universe and the investment manager will divest accordingly. If the investment portfolio in question is a commingled fund, Tryg will evaluate whether the screened position is a material part of the specific portfolio, whether the

investment advisor's ethical code substantially differs from Tryg's and the likelihood of future unethical investments will be added to the investment portfolio. These considerations will form the final judgement which will lead to redemption of Tryg's holdings in the given fund within an economically viable time frame if the ethical difference is too large.

Step 5. Conclusion

If a satisfactory explanation has been provided for the screened holdings or Tryg has acted according to Step 4, the issued will be concluded.

Step 6. Control

If the investment manager has agreed to divest a holding, Tryg will quarterly control whether the divestment has taken place.