GUIDELINES FOR RESPONSIBLE INVESTMENT IN GOVERNMENT BONDS

Responsible investment

PFA's policy and guidelines for responsible investment are used in accordance with widely recognised international conventions and standards, which are based on the UN Global Compact's 10 principles and the UN-backed principles of responsible investment, PRI.

PFA is an active investor with the aim of creating the greatest possible long-term return for its customers in a responsible manner. This means, among other things, that we require that the companies in which we invest comply with international conventions in the areas of:

- human and labour rights
- good corporate governance
- anti-corruption
- climate and the environment.

We screen our investments and have defined a process for active ownership if companies in which PFA invests conflict with our guidelines. Our position is that engagement is the best reaction to a company's non-compliance with the investor's guidelines for responsible investment.
However, if the engagement dialogue does not result in satisfactory action by the company, we will sell our holding.

PFA publishes an exclusion list for shares at english.pfa.dk/csr.

Together with the annual report and half-yearly report, a summary of the companies PFA has invested in is also published.

Government bonds

PPFA strives to invest in government bonds in a responsible manner and to ensure that the investments comply with the general and internationally recognised standards for responsible investment. However, it is neither possible nor desirable for PFA to exercise active ownership over foreign governments.

There is a difference between investing in civil activities and in government bonds, which can be compared with a loan to the government. It can be challenging when the government bonds are from countries with a lower degree of developed democracy and, for example, a high degree of corruption. It requires that PFA carries out a special analysis and assessment of a range of factors regarding the country in which the investment is taking place.

PFA's investments in government bonds follow these guidelines:

- The basis for PFA's investments is Denmark's foreign policy. PFA's investment decisions thus always comply with Denmark's official attitude towards the individual countries.
- PFA backs the guidelines for responsible investment in government bonds published by the Danish Council for Corporate Responsibility.
- Before deciding to invest in government bonds, PFA screens the countries in accordance with PFA's country screening procedure, which is available at engslih.pfa.dk/csr.

- PFA's list of countries in which we have invested in government bonds is reviewed at least twice a year by PFA's RI Board.
- Investments cannot be made in government bonds that PFA's RI Board, Executive Board or Board of Directors has decided that PFA should not invest in.
- External administrators are informed of any exclusions decided by PFA, and the investments undertaken on PFA's behalf must be adjusted accordingly.
- PFA's RI Board reports to Executive Management and the Board of Directors regarding investment in government bonds.
- PFA openly provides information at english.pfa.dk/csr regarding our policies and practices for investments in government bonds by publishing guidelines and a summary of those countries in which PFA has invested in government bonds.

Communication

The process for handling responsible investment in government bonds is summarised in the below illustration. Further details about PFA's country screening procedure can be found at english.pfa.dk/csr.

In connection with the publication of the exclusion list, PFA also publishes the list of excluded countries at english.pfa.dk/csr.

The list of invested government bonds is available at english.pfa.dk/csr together with the overview of share investments (only available in Danish).

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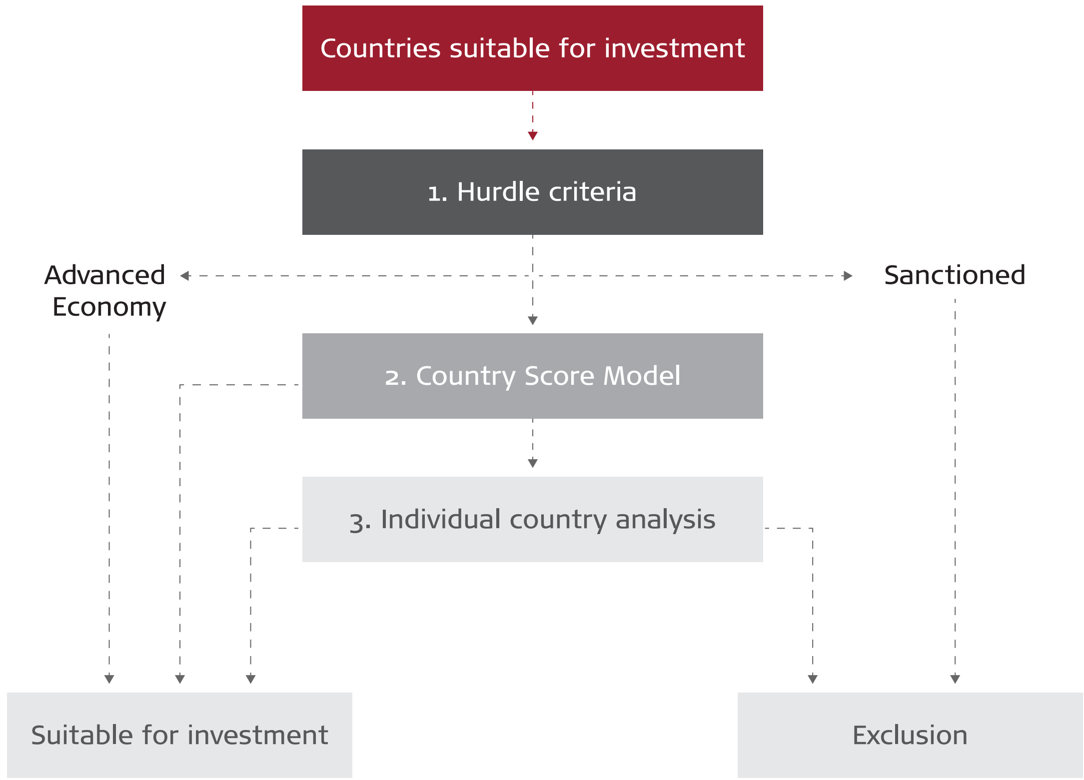
Pfa's country screening step by step
The screening consists of three steps and is based on all countries in which it is possible to invest: Potential countries for investment include approximately 2/3 of all the countries.



Step 1: Hurdle criteria
Through hurdle criteria, the country is assessed according to the IMF's categorisation of 'Advanced Economy', and whether any sanctions exist against purchasing national debt in the country. Countries that are not categorised by the IMF and which are not subject to any sanctions move on to the next step.

Step 1 – Country Score Model
The country is assessed according to the Country Score Model, which is based on a number of internationally recognised indicators and indices which cover both human rights, employee rights, the environment and anti-corruption. If a country's total score is assessed to be unsatisfactory, the country must be analysed further.

Step 3 – Individual country analysis
The third step consists of a country analysis which is based on a range of descriptive indicators from internationally recognised sources, which contributes to identifying the country's and the population's situation and development in a number of areas. After the analysis, it is decided whether the country is suitable for investment or not.

At all steps in the screening process, current events, which have not yet been included in the recognised sources, may be considered to be of such importance that PFA decides to either exclude the country based on the events or proceed with further steps in the screening process.

PFA PENSION