Investment and sustainability

Our objective in Velliv is to produce optimum return when investing on behalf of our customers. At the same time, we wish to invest in a way that respects the environment and society and contributes to sustainable development.

Below you will find information on how we work with sustainability risk integration. The following pages describe, among other things, the sustainability characteristics of your savings product and the investment strategy underlying it. You get the information according to a template which the EU has decided that Velliv and other financial companies must use.

We take sustainability risks into account when we invest

Sustainability risks include environmental, social or governance events or conditions, the occurrence of which could have a material adverse effect on the value of the investment. This could be climate risks due to climate change or damage after extreme weather. It could also be so-called transition risks, for example if CO_2 taxes are introduced in the transition to a non-fossil fuel economy.

Velliv identifies and measures sustainability risks in the investment portfolio based on data from reputable data providers. The investment department continuously assesses whether the sustainability risks to which the investments are exposed are reflected in the expected return, or whether the identified sustainability risks may potentially affect investment returns over time.

Velliv has identified that, at present, climate risks constitute the most significant sustainability risk and the sustainability risk that is most likely to affect investment returns. This is partly because climate risks cannot be managed through portfolio diversification.

The ongoing monitoring of sustainability risks, as mentioned above, forms the basis for Velliv's work with mitigating measures in relation to their potential impact on investment returns.

Where can I find out more?

You can read more about Velliv's work with responsible investments on our website, www.velliv.dk/en, under the section Responsible investments. Here, you can also find the document "Sustainability risk at product level", where you can read about the potential impacts that climate risk may have on investment returns.

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: LinkPension Aftryk Fond 3 (Stabilitetsfokus)

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It will make a minimum of **sustainable investments with an environmental objective**: ___%	☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50 %* of sustainable investments
☐ in economic activities that qualify as environmentally sustainable according to the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective**: ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

*) The share of sustainable investments may change. The stated share of sustainable investments is the lowest share you can expect in the period you have the product.

What environmental and/or social characteristics are promoted by this financial product?

The ambition with LinkPension Aftryk is to provide the best possible environmental and social footprint while ensuring an attractive financial return.

LinkPension Aftryk works to achieve the above ambition by promoting the following environmental and social characteristics:

- **The pension savings product promotes the best possible environmental and social footprint by including at least 50% sustainable investments.**
  LinkPension Aftryk includes investments assessed to be sustainable in accordance with Velliv's definition of a sustainable investment (cf. SFDR Article 2.17). These investments are considered to make a particularly positive contribution to environmental and/or social objectives. These investments are referred to as 'leaders' in LinkPension Aftryk.

- **The pension savings product includes investments that are undergoing an evident transition.**
  LinkPension Aftryk includes investments that Velliv considers to be transitioning towards an improved footprint. These investments must have a clear and transparent plan that includes specific goals and initiatives for how they will achieve their environmental and/or social transition. These investments are referred to as 'transitioners' in LinkPension Aftryk.

- **The pension savings product includes investments that enable or responsibly contribute to other actors being able to continue their development or achieve their transition.**
  LinkPension Aftryk includes investments that Velliv considers vital for other actors to be able to continue their development or reach their environmental and/or social transition. These investments provide technology, infrastructure, financing or minerals, etc. that are necessary for a sustainable transition. These investments are referred to as 'enablers' in LinkPension Aftryk.

- **The pension savings product promotes responsible and sustainable corporate practices through voting at company general meetings and by engaging in dialogue with companies, for example when breaches of international principles for responsible business conduct are observed.**
  We work actively to influence our investments to improve their management of relevant sustainability factors and to implement measures that underpin the developments we wish to support. One way we do this is through voting at general meetings in accordance with our voting policy. We also actively work to support responsible business conduct in line with the principles of the UN Global Compact and the OECD's guidelines for multinational enterprises. One aspect of this work is engaging in dialogue with companies if a breach of the international principles for responsible business conduct is observed. This dialogue can be undertaken via our data provider, Sustainalytics, alongside other investors or independently, with Velliv itself conducting the dialogue.

- **The pension savings product excludes investments that in Velliv's view are not aligned with the aim of contributing to a more sustainable world.**
  We view exclusion as the final option, as we do not consider exclusion as creating real change in society. Nevertheless, exclusion can be a necessary tool in situations where the desire or will for change is lacking. We therefore exclude investments in companies that derive revenue from the production and/or extraction of coal, oil, gas, controversial weapons, tobacco, conventional weapons, alcohol, fossil fuels, gambling or pornography. With respect to government bonds, we exclude investments in countries that we assess do not have a satisfactory approach to governance and administration. On www.velliv.dk/en under the section Responsible investments you can read about our exclusion criteria as well as Vellivs approach to fossil fuels, which describes our approach to investments in the fossil fuel area.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

We use the following sustainability indicators to measure the product's environmental and social characteristics.

- **Proportion of sustainable investments in the product:**
  We measure
  - the proportion of investments that comply with Velliv's definition of a sustainable investment. In other words, the proportion of investments that fall under the investment category 'leaders'.

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- the proportion of activities in the investments that are aligned with the EU Taxonomy regulation.
- the contribution of the sustainable investments to, respectively, environmental and social objectives. For listed equities and corporate bonds, this is calculated as the investment's contribution to the UN Sustainable Development Goals (SDGs). With respect to other asset classes, individual asset class statements have been prepared that describe how we calculate their contribution to environmental and/or social objectives. The method is described in more detail in the product's sustainability-related information (web disclosure).

- **Proportion of investments that are undergoing an obvious transition:**
  We measure the proportion of investments in LinkPension Aftryk that fall under the investment category 'transitioners'.

- **Proportion of investments that enable or responsibly contribute to other actors being able to continue their development or achieve their transition:**
  We measure the proportion of investments in LinkPension Aftryk that fall under the investment category 'enablers'.

- **Number of votes at general meetings and number of dialogues with companies:**
  We measure
  - our voting activity at the companies' ordinary and extraordinary general meetings as well as the distribution of votes across, respectively, environmental/climate-related proposals and proposals related to the social area.
  - the number of dialogues with companies in our investment portfolio.

- **Exclusion of companies and countries that are not aligned with the aim of contributing to a more sustainable world:**
  We measure that there is no breach of our exclusion criteria.

- **CO_2e footprint:**
  We measure the CO_2e footprint of our investments.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

Investments in the investment category 'leaders' are the investments that Velliv defines as sustainable investments, cf. SFDR article 2.17. As the pension savings product commits to a minimum of 50% of the investments in the product being sustainable, at least half of the product's investments will fall under this investment category.

The sustainable investments have the objective of contributing to both environmental and social objectives. For listed equities and corporate bonds that are categorised as sustainable, this is calculated based on the investment's revenue contribution to one or more of the 17 UN Sustainable Development Goals (SDGs).

The following UN SDGs are categorised as **environmental objectives**: SDG no. 6 (clean water and sanitation), no. 7 (clean energy), no. 11 (sustainable cities and communities), no. 12 (responsible consumption and production), no. 13 (climate action), no. 14 (life below water) and no. 15 (life on land).

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The following UN SDGs are categorised as **social objectives**: no. 1 (no poverty), no. 2 (zero hunger), no. 3 (good health and well-being), no. 4 (quality education), no. 5 (gender equality), no. 8 (decent work and economic growth), no. 9 (industry, innovation and infrastructure), no. 10 (reduced inequalities) and no. 16 (peace, justice and strong institutions).

SDG no. 17 (partnerships for the goals) is not included in the above, as this is focused on government bonds, which have a separate method of calculation in the product.

Listed equities and corporate bonds must have at least a 33% positive revenue contribution to one or more UN SDGs. For investments in the other asset classes that are categorised as sustainable, individual calculations have been made with respect to their contribution to environmental and/or social goals. The method is described in more detail in the product's sustainability-related information (web disclosure).

The sustainable investments may also include activities that are aligned with the EU's classification system for sustainable activities (the EU Taxonomy). The product has not set a target for this contribution.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Through Velliv's general exclusion criteria, consideration is given to ensuring that investments do not cause significant harm to environmental or social investment objectives. Additionally, product-specific exclusions have been defined for LinkPension Aftryk in order to further strengthen these considerations.

You can read more about the exclusion criteria in Velliv's Policy on responsible investments and active ownership, in the product's website disclosure, and on www.velliv.dk/en on the page Sustainability-related disclosures.

In addition, consideration is given to adverse impacts on sustainability factors, as described in more detail in the section "*How have the indicators for adverse impacts on sustainability factors been taken into account?*" below.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Velliv uses Principal Adverse Impact indicators (PAI) to assess that the product's sustainable investments do not cause significant harm to any environmental or social sustainable investment objective. This assessment incorporates all 18 mandatory PAIs defined by the EU under the Sustainable Finance Disclosure Regulation (SFDR). Specifically for the assessment of the product's sustainable investments in listed equities and corporate bonds, two additional voluntary PAI indicators are also applied. Further information on how PAIs are used across the product's asset classes can be found in the product's website disclosure.

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Annual reporting is provided on how the assessment has been carried out to ensure that the product's sustainable investments have not had significant adverse impacts on sustainability factors. This information is included in the product's annual periodic reporting. In addition, information on these PAI indicators is reported annually in the "Statement on principal adverse impacts of investment decisions on sustainability factors".

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Investments in LinkPension Aftryk must at all times comply with Velliv's Responsible Investment and Active Ownership Policy, which is based on the following international principles and guidelines:

- The UN Global Compact.
- The UN Guiding Principles on Business and Human Rights.
- The OECD Guidelines for Multinational Enterprises.

When we review our investments, we look at how the companies we invest in and our business partners comply with the above guidelines.

At Velliv we prefer to work with asset managers that have also signed up to the UN-backed Principles for Responsible Investments (PRI) or operate with similar principles.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

X **Yes**

The product takes into account the principal adverse impacts on sustainability factors. This consideration is addressed, among other things, through the application of exclusion criteria.

In addition, we continuously monitor how the product's investments may have adverse impacts on sustainability factors. As part of this monitoring, we regularly assess whether action is needed to mitigate such adverse impacts, including through the exercise of active ownership.

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You can read more about this work in Velliv's Policy on Responsible Investments and Active Ownership, which is available at www.velliv.dk/en on the page Sustainability-related disclosures. Here, you can also find Velliv's "Statement on the Principal Adverse Impacts of Investment Decisions on Sustainability Factors".

No



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The investment strategy guides investment decisions based on factors such as the investment objective and risk tolerance. With LinkPension Aftryk, our ambition is to balance the highest possible return against the best possible impact on environmental and social objectives. The overriding focus of the strategy is to make investments, that support sustainable development, and which do no significant harm to society or the environment.

We select investments from within a broad spectrum of possibilities, such as listed and unlisted equities, corporate debt and bonds. To achieve the best possible environmental and social footprint, our investment strategy concentrates on making investments in four investment categories:

Leaders: Investments that help push the world in a more sustainable direction.

Transitioners: Investments undergoing an evident transition. The transition is driven by a clear plan with specific targets and initiatives.

Enablers: Investments that pave the way for us to achieve sustainable development as a society.

ESG best in class: Investments who are considered among the best in their field at addressing environmental, social and governance considerations.

The investment strategy also complies with principles and practices outlined in Vellivs policy for responsible investments and active ownership including excluded investments, as described earlier. The policy can be found on www.velliv.dk/en under the section Responsible investments.

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What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

The binding elements of our investment strategy include:

- We exclude companies and countries defined by our exclusion lists.
- The green bonds in the product must comply with ICMA's Green Bonds Principles or equivalent recognised guidelines.
- The certified properties in the product must comply with recognised certification standards, e.g. DGNB or equivalent guidelines.

The product excludes companies that derive revenue from the production and/or extraction of coal, oil, gas, controversial weapons, tobacco, fossil fuels, conventional weapons, alcohol, gambling or pornography. With respect to government bonds, we exclude investments in countries that we assess do not have a satisfactory approach to governance and administration. You can read more about our exclusion criteria on www.velliv.dk/en under the section Responsible investments.
The exclusion criteria apply to Velliv's portfolio of listed equities and corporate bonds that Velliv holds in its own custody accounts. With other asset classes, the approach is implemented to the extent possible.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The product makes no commitment to a minimum rate by which to reduce the scope of the investments considered prior to the application of the investment strategy.

What is the policy to assess good governance practices of the investee companies?

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

We continuously monitor all investments in our portfolio to ensure, among other things, good governance practices. If we observe behaviour or incidents that are in violation of international corporate governance principles, we or our business partners may engage with the company with a view to preventing and/or changing the behaviour of the company.

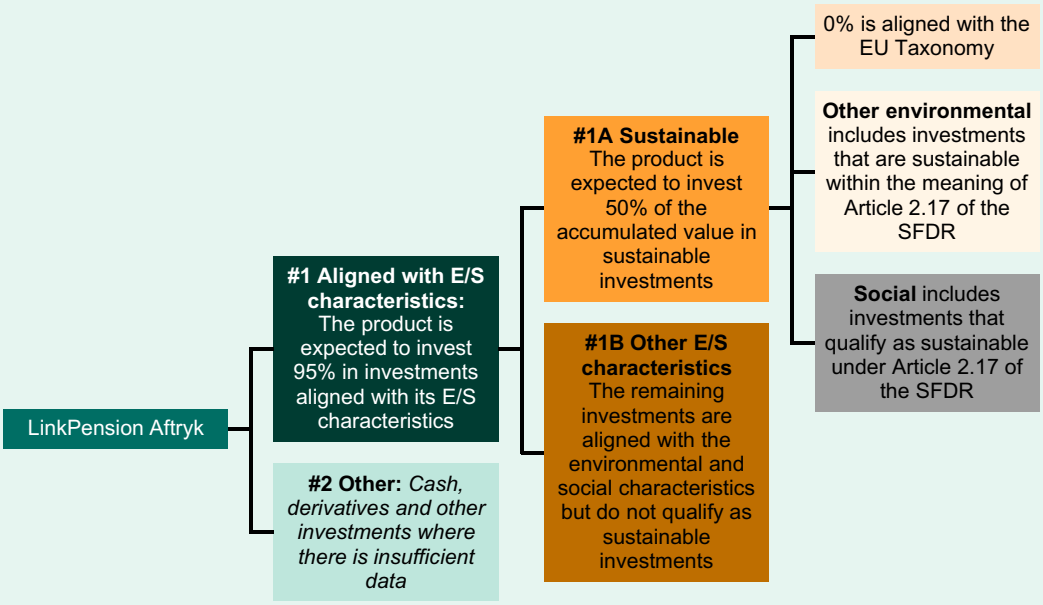
Veliv's Responsible Investment and Active Ownership Policy describes in more detail how we assess good governance practices in the companies we invest in.

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What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or lowcarbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

There is currently insufficient data to assess alignment with the EU Taxonomy. As a result, we have set the share of investments in LinkPension Aftryk at 0%.

As EU legislation develops and companies provide the necessary data, we will be able to provide better information on the minimum level of sustainable investment aligned with the EU Taxonomy.

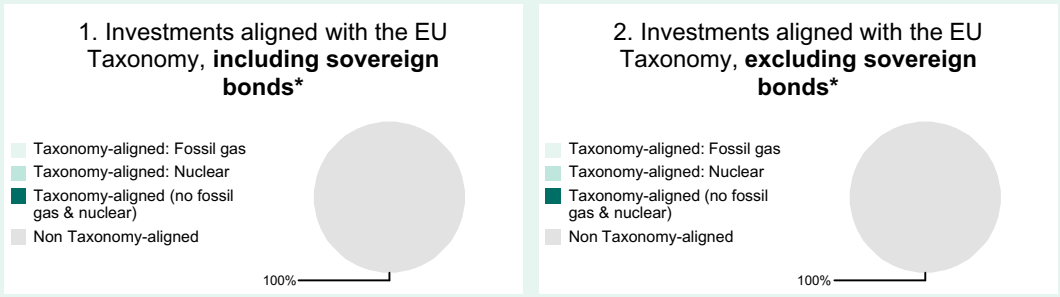
Once the necessary data are available, we expect to provide the information in connection with our periodic product reporting.

What is the minimum share of investments in transitional and enabling activities?[1]

- [ ] **Yes**
  - [ ] In fossil gas
  - [ ] In nuclear energy
- [x] **No**

[1] Fossil gas and/or nuclear related activities will only comply with the EU taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



**) For the purpose of these charts, "sovereign bonds" includes all sovereign exposures*

What is the minimum share of investments in transitional and enabling activities?

We have not set targets for the proportion of investments in transitional activities and in enabling activities. The minimum proportion is therefore set at 0%.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

LinkPension Aftryk may invest in economic activities that are not yet considered environmentally sustainable according to the EU Taxonomy. As stated above, we do not currently have the data necessary to determine the share of the product's investments that is aligned with the EU Taxonomy. For the same reason, we cannot quantify the share that is not aligned with the EU Taxonomy.

LinkPension Aftryk contains investments with both environmental and social objectives, where the investment strategy does not focus on a specific allocation between these.

What is the minimum share of socially sustainable investments?

As mentioned above, LinkPension Aftryk contains investments with both environmental and social objectives, where the investment strategy does not focus on a specific allocation between these.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Currency investments and other investments may be used as liquidity or to balance the investment risk. The category may also include investments where we do not have access to relevant data.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

No

Where can I find more product specific information online?

You can find more information at www.velliv.dk/en under the section Sustainability-related disclosures.

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