# 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 Aktiv Fond 2 (Balancefokus)**

# 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 9 %* 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?

LinkPension Aktiv promotes both environmental and social characteristics. The pension savings product promotes environmental and social characteristics by investing in companies, that help solve environmental and social challenges. For the sustainable investments, this is achieved e.g. by the listed equities and corporate bonds positive contribution to the UN Sustainable Development Goals (SDGs).

Additionally, we exclude companies and countries open to criticism from the product's investment universe while we also attempt to influence companies and asset managers to improve relevant aspects of sustainability.

**Exclusion of companies and countries**
In general, Velliv does not wish to exclude companies as, in our assessment, this does not create real change in society. In cases where companies fail to comply with Velliv's policy and fail to meet Velliv's expectations for responsible business practices, a dialogue with the company will generally be initiated. However, exclusion may be a necessary tool in situations where companies exhibit no desire or willingness for change.

In addition, Velliv has chosen to completely exclude investments in a number of companies and products as, in Velliv's view, they conflict with the desire to contribute to a more sustainable world. The excluded companies and products are:

- companies where more than 5 per cent of the revenue comes from extraction of thermal coal.
- companies with thermal coal expansion plans and a revenue where more than 0 per cent comes from extraction of thermal coal or coal in energy production.
- companies where more than 5 per cent of the revenue comes from extraction and production of oil and gas, using unconventional methods which include oil sand, arctic drilling or fracking.
- companies where more than 5 per cent of revenue originates from selected activities in the fossil fuel value chain and/or for the use of thermal coal, oil or natural gas in energy production, unless Velliv assesses the company is undergoing a transition that aligns with a low-carbon economy. This implies, that the company has set ambitious climate targets, does not have fossil fuel expansion plans, does not engage in lobbying activities that are clearly opposed to the Paris Agreement, and must have good governance and management practices in the climate area.
- companies that produce controversial weapons. Controversial weapons are defined in accordance with international treaties that Denmark has signed.
- companies that by dealing in weapons breach applicable UN weapon sanctions, and
- companies where more than 5 per cent of the revenue comes from tobacco production.

In the interests of democracy, human rights and freedom of expression, we exclude investments in sovereign bonds issued by countries that do not have a satisfactory approach to governance and management practices.

**Responsible engagement (active ownership)**
We work actively to influence the companies we invest in to improve their management of relevant sustainability aspects and risks. Our work consists in dialogue with companies and voting at their annual general meetings. Any such voting is based on Velliv's own or the external managers' voting policy. This could, for example, be with the goal of promoting gender diversity on boards, companies setting climate objectives or companies reporting further on their human rights and climate impacts.

**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?***

In order to support the environmental and social characteristics of the product, we monitor whether the companies we invest in live up to how we expect them to manage environmental, social and governance (ESG) aspects. To this end, we use the following sustainability indicators, among others:

- **$CO_2$e footprint** - we measure the $CO_2$e footprint of the underlying investments.
- **Taxonomy** - we measure activities aligned with the EU Taxonomy classification system.
- **The UN's 17 SDGs** - we measure how much the listed equities and corporate bonds contribute to the 17 UN Sustainable Development Goals.


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- **Engagement in environmental and social issues** - we work to influence the companies in the product to improve their performance in areas such as pollution, biodiversity, labour conditions, human rights and anti-corruption.
- **Number of votes on environmental and social issues** - we vote at company AGMs in favour of proposals that encourage companies to improve their sustainability performance.
- **Exclusion of companies and countries** - we measure that there is no breach of our exclusion criteria.

***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?***

We aim for the sustainable investments in LinkPension Aktiv to support one or more of the UN Sustainable Development Goals or to include activities aligned with the EU Taxonomy for sustainable activities (the EU Taxonomy).

In addition, we aim to reduce adverse ESG impacts. We seek to achieve this through dialogue with companies, by voting at general meetings and by excluding from the product's investment universe companies that do not act in line with the sustainability characteristics promoted by the product.

**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, in accordance with Velliv's Policy on responsible investments and active ownership available at 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.

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".



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***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 Aktiv 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.

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.

In LinkPension Aktiv, our ambition is to balance the highest possible return with the best possible environmental and social footprint. The strategy therefore has an overall focus on investing in companies, assets or funds that support sustainable development and do not cause significant harm to society and the environment.

We select investments across a broad range of options, such as listed and unlisted shares, corporate credit, bonds, properties, forestry and infrastructure. The investment strategy allows for investment in assets that are expected to provide a high return and other assets with the aim of hedging against risk.

To achieve a better environmental and social footpring, the investment strategy enables investments in e.g. green bonds and certified properties. For new investments in properties, certification is now an objective and, where economically viable, can also provide the basis for certification of several of the existing properties in the portfolio, including DGNB Building In Use.

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.

- ***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.

- ***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.

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

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

  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.

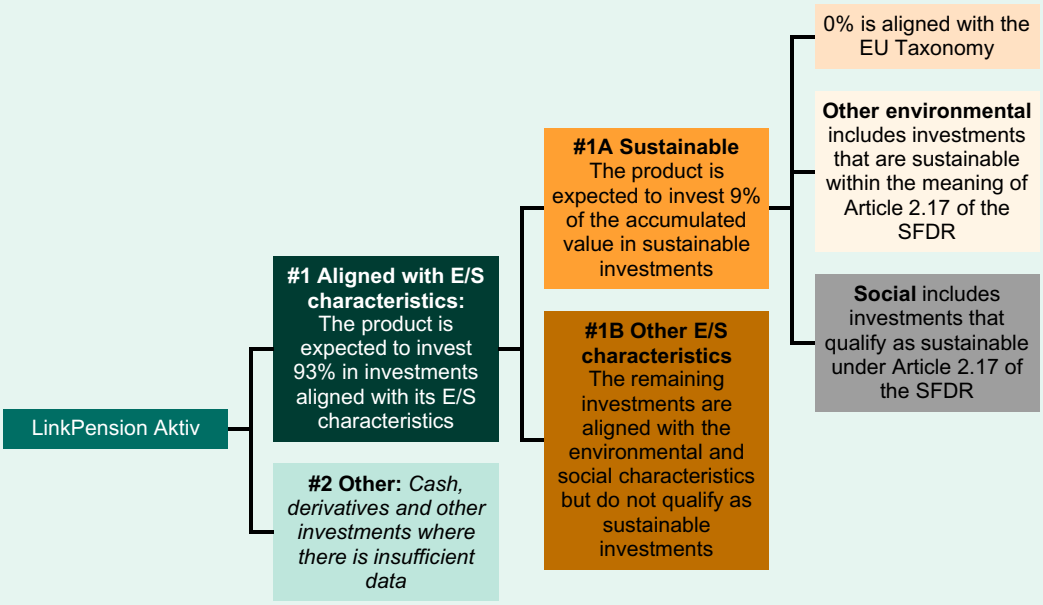


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## What is the asset allocation planned for this financial product?

**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 Aktiv 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.

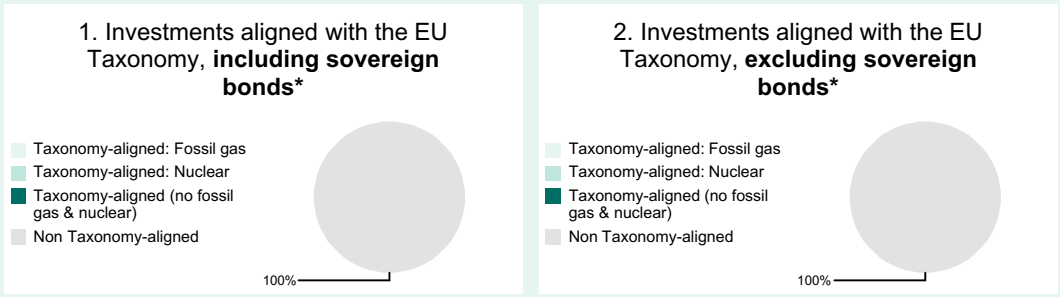
Once the necessary data are available, we expect to provide the information in connection with our periodic product reporting.

***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 Aktiv 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 Aktiv 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 Aktiv 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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