Sustainability-related disclosures

- LinkPension Aftryk Fond 2 (Balancefokus)

Summary

The ambition with LinkPension Aftryk is to provide the best possible environmental and social footprint while ensuring an attractive financial return. The financial product promotes environmental or social characteristics but does not have Sustainable Investment as its objective.

The pension savings product aims to promote 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.
- The pension savings product includes investee companies that are undergoing an evident transition.
- The pension savings product includes investments that enable or responsibly contribute to other actors being able to continue their development or achieve their transition.
- 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.
- The pension savings product excludes investments that in Velliv's view are not aligned with the aim of contributing to a more sustainable world.

The contribution to the pension savings product's environmental and social characteristics is attained through the product's investment strategy, which is based on four investment categories:

1. **Leaders:** Investments making a particularly positive contribution to people and planet. For example, by contributing to better public health, renewable energy or new, innovative technologies.
2. **Transitioners:** Investments undergoing an evident transition considered beneficial to people and planet. The transition is driven by a clear plan with specific targets and initiatives.
3. **Enablers:** Investments enabling or responsibly facilitating the continued development or successful transition of other actors. For example, by supplying necessary technology, infrastructure, financing or minerals.
4. **ESG best-in-class:** Investments considered among the best in their field at addressing environmental (E), social (S) and governance (G) considerations. They represent various sectors and are included to create the necessary robustness and diversification in LinkPension Aftryk.

With LinkPension Aftryk, our ambition is to balance the highest possible return against the best possible environmental and social impact. The strategy therefore ensures a broad spectrum of investment possibilities, such as listed and unlisted equities, corporate debt and property, while maintaining a balance between return and investment risk.

The planned proportion of investments that promote environmental and social characteristics is 95%, with at least 50% being Sustainable Investments. For each investment category, we have identified a set of indicators to monitor that the product meets its environmental and social characteristics. These indicators are targeted at the individual sustainability characteristics described above and include, among others, the share of Sustainable Investments, listed equities and corporate bonds' (non-labelled) contribution to the UN Sustainable Development Goals, share of investments in Transitioners and Enablers, number of votes at general meetings, and number of engagement dialogues with investee companies. Moreover, we measure principle adverse impacts ("*Principal Adverse Impacts, PAI*") in connection with both the investment selection process and the ongoing monitoring of our investments. The principle adverse impacts of investment decisions on sustainability factors are reported annually.

Investment decisions in LinkPension Aftryk are guided by Velliv's policy for responsible investments and active ownership, which is based on international principles and guidelines, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, as well as the OECD's Guidelines for Multinational Enterprises With LinkPension Aftryk, investments are made both in-house and through external asset managers. To ensure that the selection of external asset managers is in accordance with Velliv's views and policies on the area, regular assessments are made of the asset managers' qualities, methods and processes in relation to their overall consideration of Sustainability Factors and Sustainability risks in their investment processes. In addition, an assessment is carried out of the asset manager's methodology for classifying Sustainable Investments in accordance with SFDR article 2(17), for the particular fund, that Velliv invests in. The purpose of this assessment is to determine whether the investments comply with Velliv's defined criteria for a Sustainable Investment and thereby contribute to the product's objective of maintaining a minimum of 50% Sustainable Investments.

The product also works to influence companies towards improving relevant sustainability-related factors through our active ownership. Our work consists in dialogue with companies and voting at their annual general meetings. In cases where companies fail to comply with Velliv's Responsible Investment and Active Ownership Policy, a dialogue with the company will generally be initiated. However, exclusion may be used in situations where companies exhibit no desire or willingness for change.

Velliv's definition of a Sustainable Investment is based on Article 2(17) of the EU Sustainable Finance Disclosure Regulation (SFDR). The investments must meet three criteria to be categorized as a Sustainable Investment and so be included in the investment category 'leaders':

1. The investment must make a particularly positive contribution to environmental and/or social objectives
2. The investment must not significantly harm other environmental or social objectives
3. The investment must follow good governance practices

Assets, that are aligned with the EU Taxonomy, are classified as Sustainable Investments to the extent, that they are aligned with the Taxonomy (% of the economic activity that is Taxonomy-aligned).

Data from a range of reputable external data providers is used to measure and follow up on the product's environmental and social characteristics, as well as the development in the proportion of Sustainable Investments. The extent and quality of data continues to vary, with data coverage observed to be best for listed investments. This limitation is not assessed to prevent Velliv from fulfilling the sustainability characteristics we offer customers.

No Sustainable Investment objective
This financial product promotes environmental and social characteristics but does not have Sustainable Investment as its objective.

The product's Sustainable Investments are measured against the mandatory Principal Adverse Impact (PAI) indicators to document that the Sustainable Investments Do No Significant Harm (DNSH) to any of the Sustainable Investment objectives. For the product's investments in listed equity and bonds, we also measure against voluntary social PAI no. 9 (lack of human rights policy) and against voluntary climate and environment-related PAI no. 4 (Investment in companies without carbon emission reduction initiatives). With regard to the latter, only investments in listed equity and bonds in GICS-sectors "Mining and quarrying" and "Electricity, gas, steam and air conditioning supply" are assessed. The monitoring also safeguards the investments' compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (PAI 10). You can read more about 'Do No Significant Harm' in relation to our Sustainable Investments in the 'methods' section.

These PAIs are reported on annually in connection with the periodic product reports and in the annual Statement on principal adverse impacts of investment decisions on sustainability factors. Currently, data is mainly available for listed investments, which is why we can primarily monitor the adverse impacts of these investments on sustainability factors. We also monitor the negative impacts of the other asset classes on sustainability factors to the extent that data is available.

Environmental and social characteristics of the 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 has 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 invests in activities that materially contribute to the best possible environmental and social footprint. For listed equities and corporate bonds, Velliv defines a Sustainable Investment as an investment that makes a positive contribution to one or more of the 17 UN Sustainable Development Goals (SDGs). The contribution from the individual investee company to one or more UN SDGs must be at least 33%, measured on the company's activities. Furthermore, a maximum of 15% of the company's activities may make a negative contribution to one or more of the UN SDGs. With respect to the other asset classes, individual asset class statements have been prepared to determine when an investment is categorised as a Sustainable Investment. This is described in more details in the section 'methods'.

The Sustainable Investments may also include activities that are aligned with the EU's classification system for sustainable activities (the EU Taxonomy). In these cases, the share of economic activities for the investment, that is aligned with the EU-Taxonomy, will be classified as sustainable. The product has not set a target for this contribution.

The method for determining Sustainable Investments is described in more detail in the 'methods' section. Sustainable Investments are referred to as 'leaders' in LinkPension Aftryk.

- ***The pension savings product includes investments that are undergoing an evident transition.***

LinkPension Aftryk includes investee companies that Velliv considers to be transitioning towards an improved footprint. These investee companies must have a clear and transparent plan that includes specific goals and initiatives for how they will achieve their environmental and/or social transition. Such investee companies are referred to as 'transitioners' in LinkPension Aftryk. The 'methods' section includes a more detailed description of when an investment is assessed to be a 'transitioner'.

- ***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 complete their environmental and/or social transition. These investments provide technology, infrastructure, financing or minerals, etc. that are necessary for a sustainable transition. Such investments are referred to as 'enablers' in LinkPension Aftryk. The 'methods' section includes a more detailed description of when an investment is assessed to be an 'enabler'.

- ***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 investee companies 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 Velliv's voting policy. We also actively work to support responsible business operations in line with the principles of the UN Global Compact and the OECD's Guidelines for Multinational Enterprises The work includes engaging in dialogue with companies when breaches – or risks of breaches – of international principles for responsible business conduct are identified. This dialogue is handled by our external data advisor, Sustainalytics. In addition, we also engage in proactive dialogues with the aim of promoting sustainable business practices at the individual companies. These dialogues may have a thematic focus; for example, that the company should formulate climate goals or labour rights in its value chain. This dialogue can be undertaken via our data provider, Sustainalytics, alongside other investors or independently, with Velliv itself conducting the dialogue.

To support responsible business conduct, we employ proxy voting whereby Institutional Shareholder Services (ISS ESG) is mandated to vote on behalf of Velliv according to our voting policy, which we may deviate from if we consider this appropriate. Votes are cast for all listed companies in LinkPension Aftryk. When voting, we consider many different sustainability-related themes, and we vote based on specific criteria that we want the companies to fulfil. This could include gender diversity on Boards of Directors, that companies set climate targets, or that they provide more detail about their impact on human rights and the climate. Velliv's voting activities *here*, while our voting policy is available *here*.

- ***The pension savings product excludes investments that in Velliv's view are not aligned with the aim of contributing to a more sustainable world.***

In general, Velliv does not wish to exclude companies as, in our assessment, this does not create real change in society. However, exclusion may be necessary in cases where there is no desire or willingness to change. The product excludes investments in companies and countries in accordance with Velliv's general exclusion criteria. The product does not invest in:

- Companies with revenue from extraction of thermal coal or coal in energy production and with plans for thermal coal expansion,
- Companies where more than 5 % of the revenue comes from extraction of thermal coal,
- Companies where more than 5 % of the revenue comes from extraction and production of oil and natural gas using unconventional methods, including oil sands, arctic drilling and fracking.
- Companies where more than 5% 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 % of the revenue comes from tobacco production.

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

In addition to the exclusion criteria mentioned above, Velliv may decide to exclude individual assets based on their exposure to Sustainability Risks. Decisions concerning potential divestment of individual assets are based on clearly defined assessment criteria and an assessment of the effectiveness of the divestment relative to other available tools, such as engagement with the portfolio companies.

As a supplement to the general exclusion criteria, with LinkPension Aftryk Velliv has formulated product-specific exclusion criteria that support the product's focus on environmental and social factors. For LinkPension Aftryk, we therefore also exclude companies involved in alcohol, gambling, pornography and conventional weapons, while the general exclusion criteria covering companies involved in tobacco and fossil fuels (oil, coal, natural gas and peat) are, moreover, stricter.

The exclusion criteria apply to Velliv's portfolio of listed equities and corporate bonds that Velliv holds in its own custody accounts. When entering into an agreement with an external asset manager, the asset manager must acknowledge and accept Velliv's Policy on responsible investments and active ownership and that they will comply with the exclusion criteria. Velliv cannot insist on compliance with the exclusion list in external funds where Velliv does not have a controlling influence. With other asset classes, the

approach is implemented to the extent possible. Our website includes a list of excluded companies and countries. Here, you can also read about Velliv's approach to fossil fuel investments.

Investment strategy
With LinkPension Aftryk, our ambition is to balance the best possible return against the best possible environmental and social impact.

The investment strategy for LinkPension Aftryk therefore works with four investment categories:

1. Leaders
2. Transitioners
3. Enablers
4. ESG best-in-class

Investments in **Leaders** comply with Velliv's definition of a Sustainable Investment (cf. SFDR 2.17). For listed equities and corporate bonds, that means the investment makes a particularly positive contribution to one or more UN SDGs. Furthermore, the investments do not significantly harm other environmental or social objectives and comply with recognised principles of responsible business conduct. With respect to the other asset classes, individual statements have been prepared to determine when an investment fulfils the requirements of a Sustainable Investment. 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. The method for determining Sustainable Investments is described in more detail in the 'methods' section. The proportion of investments that will fall under this category is at least 50%.

Investments in the category **Transitioners** are assessed by Velliv to be in the process of transitioning towards an improved environmental or social impact. Common to these investments is that they must have a clear and transparent plan and have implemented specific and realistic goals and/or measures that promote an environmental and/or social transition. For investments that are assessed to be under way with their environmental transition, there is a particular focus on emission-intensive sectors which through realised reductions and ambitious targets (for example, by determining climate targets through the Science Based Target Initiative) are on course to improve their environmental and social footprint. For listed equities and corporate bonds, investments may include the following sectors: industrials, utilities, materials and real estate. The category also includes investments that contribute to a better social balance in the world. We have a particular focus on measures that promote diversity, health and well-being. Investments may include assets in emerging markets, which are on a development path towards higher levels of welfare and social standards of living.

The category **Enablers** comprises investments that in Velliv's view enable or responsibly contribute to other actors being able to continue their development or achieve their transition. For example, by supplying necessary technology, infrastructure, financing or minerals. Velliv selects those companies that are assessed to have the greatest focus on the environmental or the social transition and which have the greatest potential to help others succeed. Driving the selection process are our internally developed sector models with specific selection requirements for investments in each sector. Investments in this category will include the following sectors among others: financials, information technology and materials.

Investments in the category **ESG best-in-class** are assessed to be among the best in their industry at addressing environmental (E), social (S) and governance (G) considerations. They represent various sectors and are included to create the necessary robustness and diversification in LinkPension Aftryk. Selection criteria are tailored to the individual asset class to reflect the above. In the case of listed equities and corporate bonds, the focus is on the investment's ESG rating, which should place it in the 'industry leader' category based on the data from our external data providers. Investments must also comply with the principles of the UN Global Compact and demonstrate good governance – but beyond that have no ambitious plans or ongoing initiatives that would place the investment in one of the investment categories mentioned above.

LinkPension Aftryk invests in the following asset classes, which can fall within the four above-mentioned investment categories: equities, corporate bonds, private equity, illiquid credit, infrastructure, property, forestry as well as government and mortgage credit bonds.

In addition, the investment strategy has a number of binding elements. The binding elements in our investment strategy comprise:

- We exclude companies and countries defined by our exclusion list
- The green bonds in the product must comply with the ICMA's Green Bond Principles or equivalent recognised guidelines
- Certified properties in the product must comply with recognised certification standards, such as DGNB or equivalent guidelines

In addition, the investment strategy follows the principles and practices set out in Velliv's Responsible Investment and Active Ownership Policy, which describes, among other things, the excluded investment options. The policy is based on internationally recognised principles of responsible corporate governance, including governance practices and our approach to tax planning. These include:

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

Proportion of investments

The planned proportion of investments that promote environmental and social characteristics is 95%, of which a minimum of 50% will qualify as Sustainable Investments.

Monitoring of environmental or social characteristics

At Velliv, one way we monitor the environmental and social characteristics that the product aims to promote is by using the data we receive from our external data providers. We measure against the following sustainability indicators to ensure compliance with the product's environmental and social characteristics:

- **Proportion of Sustainable Investments in the product.** We measure 1) 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', 2) the proportion of activities in the investments that are aligned with the EU Taxonomy regulation, and 3) the contribution of the Sustainable Investments to, respectively, environmental and social objectives. For listed equities and corporate bonds (unlabelled), 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.
- **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', to the extent that data is available.
- **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', to the extent that data is available.
- **Number of votes at general meetings and number of dialogues with companies:** We measure 1) 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, and 2) 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.

In addition, we also continually measure the investments' principle adverse impacts (PAIs) on sustainability factors as well as the investments' CO_2 footprint.

Essentially, Velliv is disinclined to exclude companies, as this is not deemed to create any real change in society. In cases where companies fail to comply with Velliv's Policy for responsible investments and active ownership, including not meeting Velliv's expectations for responsible business conduct, Velliv will usually engage in dialogue with the company initially. If the outcome of the dialogue is not satisfactory, exclusion may prove necessary.

The above-mentioned monitoring is ongoing, and the results are reported annually in connection with the publication of the periodic product reports.

Methodologies

At Velliv, we employ sustainability indicators to measure, analyse and assess performance in terms of promoting environmental and social characteristics. For this we use sustainability-related data that we receive from external data providers.

Methodology to measure the proportion of Sustainable Investments
Velliv's definition of a Sustainable Investment is based on the EU definition, cf. SFDR 2(17). Hence, investments in LinkPension Aftryk have to fulfil three criteria in order to be categorised as a Sustainable Investment and so be included in the investment category 'leaders':

1. The investment must make a particularly positive contribution to environmental and/or social objectives
2. The investment must not significantly harm other environmental or social objectives
3. The investment must follow good governance practices

As stated previously, a minimum of 50% of the product's investments will be characterised as Sustainable Investments. Where a proportion of an investment is aligned with the EU-Taxonomy, that proportion is classified as a Sustainable Investment and is not assessed in accordance with the principles of Article 2(17) described above. The product does not have a specific goal for the share of investments that are aligned with the EU Taxonomy.

The assessment of the criteria above for a Sustainable Investment is tailored to each asset class:

1. Listed equities and corporate bonds

For the purpose of determining Sustainable Investments within the product, separate assessment criteria have been developed for investments in listed equities and corporate bonds (non-labelled). In the assessment, Velliv distinguishes between companies operating within the electricity utilities sector and companies operating outside this sector. Velliv defines the electricity utilities sector as companies classified within the following GICS sub-industries: Electric Utilities, Renewable Electricity, and Independent Power Producers & Energy Traders. If no GICS sub-industry is available for the investment, NACE-group 35.1. "Electric power generation, transmission and distribution" is used to identify investments in the electricity utilities sector.

Velliv finds this distinguishment necessary, since the criterion of 'sustainable contribution' from the electricity utilities sector cannot be measure based on their contribution to the UN's 17 Sustainable Development Goals, but rather based on the share of electricity production generated from renewable sources.

<u>The 'sustainable contribution' criterion:</u>
For investments outside of the electricity utilities sector, the following criteria apply:

- The investment is assessed by our external data providers to have a positive contribution of more than 33% to one or more of the UN's 17 Sustainable Development Goals, measured on the basis of the company's activities
- The investment is assessed by our external data providers not to have a negative contribution of more than 15% to one or more of the UN Sustainable Development Goals, measured based on the company's activities.

For companies within the electricity utilities sector, the following criteria apply:

- The company's share of electricity generation from renewable sources (sun-, wind-, bio- and water-energy) must be more than 33% of the company's total share of electricity generation
- The company's share of electricity generation from thermal coal and oil must in combination not exceed 15% of the company's total share of electricity generation.

The ‘do no significant harm’ criterion:

To assess whether a company causes significant harm to environmental or social objectives, Velliv relies on the mandatory Principal Adverse Impact (PAI) indicators defined by the EU. The PAI indicators cover both climate- and environment-related indicators as well as social indicators. The PAIs are assessed as follows:

PAI	Threshold outside of electricity utilities sector	Threshold within electricity utilities sector
1. **GHG emission**	Covered by PAI 2	Company is breaching with Paris Aligned Benchmark exclusion criteria
2. **Carbon footprint**	> 174.4 tons CO_2 per million invested	
3. **GHG intensity of investee companies**	> 359 tons CO_2 per million revenue	
4. **Exposure to companies active in the fossil fuel sector**	‘True’	
5. **Share of non-renewable energy consumption and production**	Average of consumption and production > 87%	
6. **Energy consumption intensity per high impact climate sector** **A: Agriculture, forestry and fishing** **B: Mining and quarrying** **C: Manufacturing** **D: Electricity, Gas, Steam and Air Conditioning Supply** **E: Water supply** **F: Construction** **G: Wholesale and Retail trade** **H: Transportation and storage** **I: Real estate activities**	• A > 3,9 GWh • B > 3,4 GWh • C >1,9 GWh • D >18,2 GWh • E >1,2 GWh • F >0,2 GWh • G > 0,2 GWh • H > 5,2 GWh • I > 0,9 GWh	

7.	**Activities negatively affecting biodiversity-sensitive areas**	'True'	'True'
8.	**Emissions to water**	> 0,03 tons per million invested	> 0,3 tons per million invested
9.	**Hazardous waste and radioactive waste ratio**	> 0,85 tons per million invested	> 0,85 tons per million invested
10.	**Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**	'True'	'True'
11.	**Lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises**	'True'	'True'
12.	**Unadjusted gender pay gap**	> 30%	> 30%
13.	**Board gender diversity**	< 10%	< 10%

14. **Exposure to controversial weapons**	'True'	'True'
Voluntary PAI 2.4: Investment in companies without carbon emission reduction initiatives	'True'	Company is breaching with Paris Aligned Benchmark exclusion criteria
Voluntary PAI 3.9: Lack of human rights policy	'True'	'True'

The 'good governance practices' criterion:

We also assess the investee company's capacity to observe good governance practice. This is determined in part by the investment not being in breach of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises. Governance is assessed using data from Sustainalytics.

Velliv's definition of Good Governance covers four elements of management practice:

- *Sound management structures*

  Sound management structures covers both the specific composition of the company's leadership, including the composition and independence of the board of directors, auditing practices, etc. as well as ethical aspects, such as approach to corruption, etc.

- *Employee relations*

  Employee relations encompasses labour rights, such as the absence of forced labour, approach to health and safety in the workplace, non-discrimination, etc.

- *Remuneration of staff*

  Remuneration of staff concerns employment conditions in relation to wages – for example, the right to collective bargaining as well as specific aspects of pay that can potentially be measured in terms of wage gaps between the genders and between employees and management, for example.

- *Compliance with tax regulations*

  Compliance with tax regulations concerns the company's approach to corporate tax matters.

The table below shows which parameters, data points and threshold values Velliv uses to assess whether a company complies with the four principal elements of good governance.

Elements	Data point	Relevant underlying indicators	Threshold
Governance structure	UN Global Compact Principle 10 – Businesses should work against all forms of corruption, including extortion and bribery	Audit matters, Bribery and corruption	Breach
Labour relations	UN Global Compact Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	Workers' human rights, including labour rights	Breach
	UN Global Compact Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Trade-union freedom	Breach
	UN Global Compact Principle 4 – Businesses should uphold the elimination of all forms of forced and compulsory labour	Forced labour	Breach
	UN Global Compact Principle 5 – Businesses should support the effective abolition of child labour	Child labour	Breach
	UN Global Compact Principle 6 – Businesses should work against discrimination in respect of employment and occupation	Discrimination and harassment	Breach
Remuneration of staff	UN Global Compact Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	Workers' human rights, including labour rights	Breach
	UN Global Compact Principle 3 – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Trade-union freedom	Breach
Compliance with tax rules	UN Global Compact Principle 10 – Businesses should work against all forms of corruption, including extortion and bribery	Tax matters	Breach

2. Unlisted alternative investments managed by external asset managers

For externally managed unlisted alternative investments, an assessment is carried out of the manager's methodology for identifying Sustainable Investments in order to determine which of the fund's investments may be classified as sustainable in accordance with Velliv's criteria. In cases

where the external manager has not established a methodology for identifying Sustainable Investments, for example where the manager is not subject to the SFDR, Velliv will instead assess the fund's overall investment strategy and approach to making investments that support sustainable purposes.

The manager's methodology for identifying Sustainable Investments, or the fund's investment strategy and approach to making investments that support sustainable purposes, must meet the following criteria:

The 'sustainable contribution' criterion:
The investment contributes significantly to one or more of the UN sustainable development goals. Alternatively, the investment is aligned with the EU-Taxonomy or similar taxonomies. In assessing whether an investment makes a substantial contribution to the UN SDGs, Velliv refers to its methodology for Sustainable Investments, which establishes a minimum threshold of 33% for positive contribution to the SDGs. However, the assessment of what constitutes a "substantial" contribution will always be based on a case-by-case evaluation of the manager's methodology, the type of unlisted investment, and the availability and quality of the underlying data.

The 'do no significant harm' criterion:
All mandatory PAI's are taken into account or similar initiatives to prevent significant harm on the same topics, covered by the PAI's, are implemented. As mentioned above, the assessment is tailored to the information available which will vary depending on the type of unlisted investment.

The 'good governance practices' criterion:
The investment must comply with applicable international principles and standards for good governance, including the OECD's guidelines for multinational enterprises, the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

The assessments above are tailored to the specific type of unlisted alternative investment. Where Velliv determines, that the manager's methodology meets Velliv's criteria for a Sustainable Investment, those investments within the fund that are considered sustainable under the manager's methodology, will also be classified by Velliv as Sustainable Investments.

3. Labelled bonds

Labelled bonds include bonds earmarked for green, social, or sustainable purposes, as well as impact or outcome bonds, where the return is linked to the achievement of a specific impact objective. This type of financial instrument may be issued by various market participants, including corporates, sovereigns, mortgage credit institutions, and supranational organisations (e.g. the World Bank).

For the purpose of assessing whether a labelled bond may be classified by Velliv as a Sustainable Investment, data from an external data provider is used to evaluate the criteria set out below.

The 'sustainable contribution' criterion:

The sustainable contribution criterion is assessed at the issuance level and is therefore applied consistently across issuances by corporate, sovereign, and supranational issuers. For a labelled bond to qualify, it must meet at least one of the following two criteria:

- The bond must have a use-of-proceeds SDG score from Velliv's external data provider of at least 2.67. As Velliv's data provider applies a scoring scale from 1 to 4, this is considered equivalent to the requirement that at least 33% of the investment makes a positive contribution, which is the threshold applied to investments in listed equities, corporate bonds, and unlisted investments.
- At least 33% of the bond's use of proceeds must be aligned with the EU Taxonomy.

The 'do no significant harm' criterion:

- Corporates

The criteria described in "Listed equity and corporate bonds" apply.

- Sovereign actors

The issuer cannot violate the PAI's defined by the EU tailored towards sovereigns and supranational actors:

PAI	Threshold
15. GHG intensity	The issuer is among the 10% highest-emitting sovereigns
16. Investee companies subject to social violations	The issuer systematically and seriously violates social rights according to Velliv's assessment.

- Supranational actors

The issuer cannot violate the PAI's defined by the EU tailored towards sovereigns and supranational actors:

PAI	Threshold
1. GHG intensity	The issuer is among the 10% highest-emitting supranational actors
2. Investee companies subject to social violations	The issuer is assessed by Velliv's external data provider as being involved in controversies that have a material (significant) adverse impact on stakeholders or the environment.

The 'good governance practices' criterion:

The criterion relating to good governance practices is assessed both at the issuer level and at the level of the specific issuance.

With respect to the issuer, the concept of good governance practices applies only to corporate issuers. Consequently, no such assessment is carried out for sovereign issuers or multilateral institutions. For corporate issuers, the assessment follows the same criteria as those described in "Listed equities and corporate bonds"

For the specific issuance, irrespective of the issuer type, an assessment is carried out to determine whether the issuance complies with internationally recognised standards for labelled bonds (the ICMA Principles)[1]. The issuance must achieve a score of at least 1.75, corresponding to the external provider's assessment that compliance with international standards is "medium" or higher.

Where Velliv's external data provider does not assess a labelled bond or another issuance with sustainability characteristics issued by sovereign or supranational actors, Velliv conducts a qualitative assessment of the issuance's contribution to social and/or environmental objectives, as well as its compliance with international standards for labelled bonds, in order to determine whether the issuance meets Velliv's criteria for a Sustainable Investment.

4. Mortgage loans

Only mortgage bonds issued by Danish mortgage credit institutions that are labelled either "Energy Efficient Mortgage Label (EEML)" or "social impact" mortgage loans may be classified by Velliv as Sustainable Investments. These investments are considered to meet Velliv's criteria regarding a sustainable contribution, do no significant harm, and good governance practices.

Method for measuring compliance with good governance practices for article 8 investments

According to the Sustainable Finance Disclosure Regulation (SFDR), all investments in a savings product under article 8 of the regulation must follow good governance practices. The assessment of good governance practices relies on the same criteria, as described above.

Methodology for measuring the contribution of Sustainable Investments to environmental and social objectives, respectively.

For listed equities and corporate bonds, the contribution of the Sustainable Investments to environmental and social objectives, respectively, is based on their positive contribution to the UN SDGs based on the company's activities. The assessment is made on the basis of the investment's activities, where each activity can only contribute to one SDG. Hence, an investment can contribute to both environmental and social objectives when looking across the investment's activities if the respective activities contribute to different SDGs. We employ data from external data providers to determine which SDGs the investment contributes to.

The sustainable listed equities and corporate bonds contribute to **environmental objectives** when they have one or more activities that contribute positively to 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) or no. 15 (life on land).

Likewise, the sustainable listed equities and corporate bonds make a positive contribution to **social objectives** when they have one or more activities that contribute positively to SDG 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) or 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, cf. description of labelled bonds below.

[1] The International Capital Market Association (ICMA) is a global trade association that develops industry-led standards and recommendations for the financial sector.

When calculating and reporting (for example, in periodic reports) on the Sustainable Investments' contribution to environmental and social objectives, the entire Sustainable Investment is allocated according to its contributions. Hence, if 50% of the investment contributes to environmental objectives and 50% of the investment contributes to social objectives, the investment is allocated as 50% to environmental and social objectives, respectively. If the investment makes a 40% contribution to environmental goals and a 30% contribution to social goals, the entire investment is allocated according to the ratio between the contributions to environmental and social objectives.

Bonds issued as 'green bonds' are included 100% in the calculation of contributions to environmental objectives, while 'social bonds' contribute 100% to social objectives. Forest investments are included 100% in the calculation of contributions to environmental objectives. Investments within private equity, sustainability bonds, infrastructure and illiquid credit are assessed against internal criteria based on a case-by-case approach that depends on the extent of available data for the particular investment. Investments in unlabelled government and mortgage credit bonds are not included in the calculation because of the lack of data for assessing their contribution. These asset classes will be included in the calculation when the data is considered sufficient.

Methodology for measuring investments undergoing an evident transition.
Investments in the investment category **Transitioners** are assessed by Velliv to be in the process of transitioning towards having an improved impact on the world. Investments in this category are subject to a common requirement across asset classes of having a clear and transparent plan and of having defined specific and realistic goals and/or initiatives for the environmental and/or social transition. Additional individual requirements have also been formulated for when the investment can be included in this investment category. For listed equities and corporate bonds, these requirements concern having set credible climate goals that are approved by the Science Based Targets Initiative. For unlisted investments, an assessment is made for each investment as to whether it has set credible climate or social goals based on indicators appropriate for the particular asset class. This can include approval from the Science Based Targets Initiative or the company having CO_2 reduction targets.

Methodology for measuring investments that responsibly enable or contribute to other actors continuing their development or achieving their transition.
For investments in the investment category **Enablers**, which enable or responsibly contribute to other actors being able to continue their development or achieve their transition, Velliv has developed sector models for selecting investments. These sector models select listed equities and corporate bonds from within various sectors, such as financials, information technology and materials, that Velliv considers key to supporting other actors in being able to continue their development or achieve their transition. The models set specific requirements for the individual sector with respect to being included in the investment category.

For example, Velliv has developed its own sector model to select investments in banks. In this sector model we select investments partly based on their share of green/social debt or capital market issuances over the past two years. We have also set a maximum limit on the share of fossil fuel capital market issuances the investment may have.

Likewise, we have a sector model to select investments in mining companies. This model identifies investment opportunities in mining companies where transition metals constitute a significant share of the company's total extractions. With LinkPension Aftryk, we define transition metals as copper, nickel, lithium and cobalt. These four metals are also included on the EU's Critical Raw Materials list of strategic

raw materials. We also screen potential investment opportunities against a number of ESG parameters in order to identify the investment opportunities that are best at taking environmental and social factors into consideration.

As Velliv's assessment is that not all asset classes can be viewed as enablers, alternative investments as well as government and mortgage credit bonds are so far not included in this category.

Methodology for measuring responsible and sustainable business practices through active ownership
Velliv votes at the ordinary and extraordinary general meetings of investee companies by proxy, whereby our external data adviser, ISS ESG, is mandated to vote on behalf of Velliv guided by our voting policy. We receive regular reports from ISS ESG on voting activity, which we use in our reports.

We pursue active ownership dialogues independently, via other investors and through our data provider, Sustainalytics. We keep track of all three types of active ownership dialogues as well as their outcomes, including if dialogues have not produced the desired changes in business conduct – which may ultimately lead to exclusion.

Methodology for measuring the exclusion of companies and countries that do not align with the aim of contributing to a more sustainable world.
We update our exclusion list semi-annually in order to comply with environmental and social minimum requirements. This ensures that the criteria still apply for already excluded companies – and also that new companies covered by the criteria are excluded. As part of this process, we regularly measure that there are no breaches of our exclusion criteria. Velliv's list of excluded countries is updated once a year. With respect to the product-specific exclusion criteria, we regularly assess whether there is a need for adjustments.

Data sources and processing
We use data from external suppliers and fund managers to measure the environmental and social characteristics, as well as the 'sustainable contribution', 'do no significant harm' and 'good governance practices' criteria. The external data providers include:

- Sustainalytics
- ISS ESG
- MSCI
- Velliv Ejendomme
- Maplecroft

We continuously check the data we receive to ensure data quality. We obtain additional data if needed.

For listed equities and corporate bonds, reported figures are used to determine the proportion of the investment aligned with the EU Taxonomy. To measure the proportion of Sustainable Investments we use data from recognised data providers on the investment's contribution to one or more of the UN Sustainable Development Goals. To the extent that unlisted assets are included, information is collected via questionnaires and dialogue tailored for the individual asset class. If there are investee companies where it is not possible to determine whether there is a contribution to the UN SDGs, the investment is not included in the calculation of the proportion of Sustainable Investments. Data is continuously analysed and historical data is stored to allow us to identify any discrepancies.

We have recognised and tested systems that process the sustainability data provided in accordance with the business processes and working procedures applicable to the area, which are based on the same principles as apply to financial data.

Limitations to methodologies and data
The extent and quality of available sustainability data continues to vary. At Velliv, we currently have data primarily on listed companies, and to a lesser extent on unlisted investments.

We expect that both the volume and quality of available data will improve in years to come. In addition, we expect that improved access to data as well as experience in the field in general in the industry will mean that methods and approaches need to be adapted. The available data, Velliv's adopted methodologies and the implemented system support allow us to continuously monitor and assess the promotion of environmental and social characteristics as well as the development of the proportion of Sustainable Investments. Thus, the limitations do not affect the fulfilment of the sustainability characteristics we promise to the customer.

Due diligence
Investment selection is primarily done through external managers. To ensure that the selection is in line with Velliv's positions and policies in the area, the qualities, methods and processes of the managers are assessed on an ongoing basis. 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 on similar principles.

The process involved in selecting funds and asset managers includes an assessment of the asset managers' responsible investment skills and standards, and their approach to and management of environmental, social and governance issues, and whether there is consistency with the sustainability characteristics promoted by LinkPension Aftryk. The process also involves the assessment of potential sustainability risks of the investment and whether the investment will comply with Velliv's policy for responsible investment and active ownership.

Active ownership policy
Investments are based on Velliv's policy for responsible investments and active ownership, which is based on international principles and guidelines, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

At Velliv 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.

As a rule, 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 Responsible Investment and Active Ownership 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 used in situations where companies exhibit no desire or willingness for change.

Designated reference benchmark
No index has been designated as a reference benchmark to attain the environmental or social characteristics.