Sustainability-related disclosures

- LinkPension Aktiv Fond 3 (Stabilitetsfokus)

Summary

The financial product promotes environmental or social characteristics, but its objective is not Sustainable Investment. LinkPension Aktiv promotes both environmental and social characteristics. By e.g. investing in companies that help solve environmental and social challenges, by excluding companies and countries open to criticism from the product's investment universe and by also attempting to influence companies and asset managers to improve relevant aspects of sustainability.

The products investment strategy 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 the same time, the principal adverse impacts on sustainability factors (PAIs) are taken into consideration when selecting investments as well as in connection with the ongoing monitoring of investments. The principal adverse impacts of investment decisions on sustainability factors are reported annually.

In LinkPension Aktiv, we aim to generate the best possible risk-adjusted return through active management and broad exposure across asset classes, while also taking environmental and social characteristics into account. The strategy ensures investments across a broad range of options, such as listed and unlisted equities, credit bonds, and alternative investments, balancing return and investment risk.

The planned proportion of investments that promote environmental and social characteristics is 95%, of which a minimum of 8% will qualify as Sustainable Investments.

We monitor the adherence to the product's environmental and social characteristics by tracking a range of sustainability indicators:

- **CO_2e footprint** - we measure the CO_2e 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.
- **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.

In LinkPension Aktiv, investments are primarily made through external asset 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 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.

Velliv's definition of a Sustainable Investment is based on the EU Taxonomy for environmentally sustainable economic activities and Article 2(17) of the EU Sustainable Finance Disclosure Regulation (SFDR). Investments that are 100% aligned with the Taxonomy are classified by Velliv as Sustainable Investments. Other investments must meet three criteria to be categorized as a Sustainable Investment:

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. Data is managed internally within established and tested systems and in accordance with the business procedures and operational processes applicable in this area. 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 or social characteristics of the financial product
LinkPension Aktiv promotes both environmental and social characteristics. In practice, this is achieved by investing in companies that help solve environmental and social challenges, by excluding companies

and countries open to criticism from the product's investment universe and by attempting 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. 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.

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. The website is also where you can read about Velliv's approach to fossil fuel investments.

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 women being represented on boards, companies setting climate objectives or companies reporting further on their human rights and climate impacts.

Investment strategy
In LinkPension Aktiv our ambition is to create the best possible risk-adjusted return while taking into account our environmental and social footprint.

We select investments across a broad range of options, such as listed and unlisted shares, corporate credit, bonds, and alternative investments. LinkPension Aktiv has investments in the following areas that help promote sustainability:

- Green and social bonds.
- Certificated 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 allows for investment in assets that are expected to provide a high return and other assets with the aim of hedging against risk.

In addition, the investment strategy follows the principles and practices set out in Velliv's policy for responsible investments and active ownership, 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 8% will qualify as Sustainable Investments.

Monitoring of environmental or social characteristics
At Velliv, we use data to continuously monitor the development of the products' sustainability indicators, metrics for adverse impacts on sustainability factors and compliance with our exclusion criteria.

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_2e footprint** - we measure the CO_2e 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.
- **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.

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 policy for responsible investment and active ownership, including failing to meet Velliv's expectations for responsible business practices, a dialogue with the company will generally be initiated first. If the dialogue does not produce satisfactory results, exclusion may be 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 measure, analyse and assess how we are doing in promoting the environmental and social characteristics of our investments and products. For this we use sustainability-related data that we receive from external data providers.

Methodology to measure sustainability characteristics
To assess how the investments in our products promote environmental and social characteristics, we measure on a number of sustainability indicators, as explained previously in the document. These include, the extent to which the listed equities and corporate bonds have a positive contribution to one or more of the UN Sustainable Development Goals, as well as the CO_2e-footprint of the investments. To measure the sustainability indicators, we use a number of recognized data providers including ISS and Sustainalytics.

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).

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 8% 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.

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

1. 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
2. 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	Workers' human rights, including labour rights	Breach

	internationally proclaimed human rights within their sphere of influence		
	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:

<u>The 'sustainable contribution' criterion:</u>
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.

<u>The 'do no significant harm' criterion:</u>
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.

<u>The 'good governance practices' criterion:</u>
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 for the product's investee companies follows the process described in the section above.

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

Method 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.

Method to measure the exclusion of companies and countries that are not aligned 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.

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 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 Aktiv. 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 investments 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 policy for responsible investments and active ownership 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.